

Walter Sisulu Local Municipality
Financial Statements for the year ended June 30, 2021



Walter Sisulu Local Municipality
Financial statements
for the year ended June 30, 2021

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

General Information

Legal form of entity	EC145-Walter Local Municipality South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.
Nature of business and principal activities	Walter Sisulu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Cllr B Khweyiya
	Cllr N Mathetha
Councillors	Cllr E Theron
	Cllr VA Schoeman
	Cllr N Ngubo
	Cllr CM Botha
	Cllr MW Moeti (Appointed 17 Nov 2020)
	Cllr VD Davids
	Cllr M Lekobane
	Cllr M Van Heerden
	Cllr Y Zweni
	Cllr Z Mangali
	Cllr Z Mqokwana
	Cllr Nel
	Cllr M Solani
	Cllr L Nkunzi
	Cllr LA Falasi (Appointed 18 June 2020)
	Cllr BK George (Appointed 17 Nov 2020)
	Cllr KH Mathunya (Appointed 17 Nov 2020)
	Cllr D De Jongh
	Cllr MW Mokhoabane
	Cllr JMB Lottering (Appointed 14 Dec 2020)
Grading of local authority	Category B
Chief Finance Officer (CFO)	Y Ngqele
Accounting Officer	FKP Ntlemeza
Registered office	1 Jan Greyling Street Burgersdorp 9744
Bankers	First National Bank Aliwal North
Auditors	Auditor General South Africa (AGSA) Chartered Accountants (S.A.) Registered Auditors
Attorneys	Mbabane Maswazi & Mkosana Inc Horn Kumm Fouche

Walter Sisulu Local Municipality
Financial Statements for the year ended June 30, 2021

General Information

Preparer

The financial statements were internally compiled by:
Y Ngqele
Chief Finance Officer

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

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

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INEP	integrated National Electrification Grant Programme
WSIG	Water Service Infrastructure Grant
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
CFO	Chief Finance Officer
IAS	International Accounting Standards
PAYE	Pay As You Earn
IPSAS	International Public Sector Accounting Standards
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Officer's Responsibilities and Approval

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

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The 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 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 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 for the year to June 30, 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The 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 we are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the on 31 August 2021 and were signed by:

FKP Ntlemeza
Municipal Manager

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Financial Position as at June 30, 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Inventories	9	347,278	326,476
Receivables from exchange transactions	10&13	52,623,963	30,598,077
Receivables from non-exchange transactions	11&13	24,281,703	14,609,966
VAT receivable	12	50,306,544	49,113,265
Cash and cash equivalents	14	7,556,217	12,185,695
		135,115,705	106,833,479
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	3,369,384	4,312,900
Investment property	4	150,995,942	155,464,366
Property, plant and equipment	5	535,732,214	568,309,158
Intangible assets	6	3,235,845	239,905
Heritage assets	7	2,984,705	2,984,705
		696,318,090	731,311,034
Total Assets		831,433,795	838,144,513
Liabilities			
Current Liabilities			
Other financial liabilities	17	297,890	283,555
Finance lease obligation	15	-	82,705
Payables from exchange transactions	19	411,884,177	355,442,513
Consumer deposits	20	2,373,873	2,352,444
Employee benefit obligation	8	11,482,939	11,621,249
Unspent conditional grants and receipts	16	4,131,240	11,614,125
		430,170,119	381,396,591
Non-Current Liabilities			
Other financial liabilities	17	1,441,287	1,635,352
Employee benefit obligation	8	31,375,763	26,119,580
Provisions	18	33,970,852	31,609,731
		66,787,902	59,364,663
Total Liabilities		496,958,021	440,761,254
Net Assets		334,475,774	397,383,259
Accumulated surplus		334,475,774	397,383,259
Total Net Assets		334,475,774	397,383,259

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Service charges	22	145,153,760	127,141,443
Rental of facilities and equipment	23	2,463,012	2,631,198
Interest received (trading)		16,878,403	12,789,964
Agency services	25	3,946,873	2,596,224
Licences and permits	26	2,073,710	940,517
Other Income		2,078,782	3,227,895
Fair value adjustments	38	-	3,321,246
Actuarial gains		-	6,113,472
Total revenue from exchange transactions		172,594,540	158,761,959
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	36,437,089	31,226,650
Transfer revenue			
Government grants & subsidies	29	94,294,680	91,237,692
Fines, Penalties and Forfeits	24	293,845	751,871
Total revenue from non-exchange transactions		131,025,614	123,216,213
Total revenue	21	303,620,154	281,978,172
Expenditure			
Employee related costs	30	(103,644,193)	(89,984,649)
Remuneration of councillors	31	(8,307,182)	(8,372,150)
Depreciation and amortisation	32	(47,548,179)	(31,241,973)
Finance costs	33	(12,203,368)	(27,182,044)
Debt Impairment	34	(48,050,690)	(44,150,034)
Bulk purchases	35	(106,094,076)	(99,777,932)
Transfers and Subsidies	28	-	(86,537)
Loss on disposal of assets and liabilities		-	(1,750,889)
Fair value adjustments		(943,516)	-
Actuarial losses		(918,367)	-
General Expenses	37	(46,512,898)	(38,347,524)
Repairs and Maintenance		(5,407,039)	(4,743,677)
Operating Grant expenditure		(2,390,000)	(4,692,389)
Total expenditure		(382,019,508)	(350,329,798)
Deficit for the year		(78,399,354)	(68,351,626)

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2019	470,418,544	470,418,544
Changes in net assets		
Surplus for the year	(68,351,626)	(68,351,626)
Prior period adjustment	(4,683,659)	(4,683,659)
	(73,035,285)	(73,035,285)
Balance at July 1, 2020	397,383,259	397,383,259
Changes in net assets		
Surplus for the year	(78,399,354)	(78,399,354)
Prior period adjustment	15,491,869	15,491,869
Total changes	(62,907,485)	(62,907,485)
Balance at June 30, 2021	334,475,774	334,475,774

Note(s)

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Property rates		32,838,801	21,585,031
Service charges		112,365,552	91,425,251
Grants		68,000,211	97,812,709
Interest		-	1,348,342
Other receipts		16,509,308	16,271,559
		229,713,872	228,442,892
Payments			
Employee costs		(111,951,375)	(90,871,065)
Suppliers		(108,541,665)	(94,925,292)
Finance costs		(12,203,368)	(27,161,351)
Transfers and Grants		-	(86,536)
Other cash item		-	502,326
		(232,696,408)	(212,541,918)
Net cash flows from operating activities	40	(2,982,536)	15,900,974
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	(18,206,473)
Proceeds from sale of property, plant and equipment	5	-	1,579
Proceeds from sale of investment property	4	-	1,598,248
Purchase of other intangible assets	6	-	(67,743)
Net cash flows from investing activities		-	(16,674,389)
Cash flows from financing activities			
Repayment of other financial liabilities		(179,730)	(502,754)
Movement in Consumer deposits		-	21,367
Finance lease payments		(1,467,212)	-
Net cash flows from financing activities		(1,646,942)	(481,387)
Net increase/(decrease) in cash and cash equivalents		(4,629,478)	(1,254,802)
Cash and cash equivalents at the beginning of the year		12,185,695	13,440,497
Cash and cash equivalents at the end of the year	14	7,556,217	12,185,695

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	150,293,000	(28,576,000)	121,717,000	145,153,760	23,436,760
Rental of facilities and equipment	3,232,000	1,637,000	4,869,000	2,463,012	(2,405,988)
Interest received (trading)	11,220,000	1,454,000	12,674,000	16,878,403	4,204,403
Agency services	3,117,000	(647,000)	2,470,000	3,946,873	1,476,873
Licences and permits	2,146,000	1,895,000	4,041,000	2,073,710	(1,967,290)
Miscellaneous other revenue	3,574,000	10,495,000	14,069,000	2,078,782	(11,990,218)
Gains on disposal of assets	99,000	-	99,000	-	(99,000)

Total revenue from exchange transactions	173,681,000	(13,742,000)	159,939,000	172,594,540	12,655,540
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Revenue from non-exchange transactions

Taxation revenue

Property rates	42,728,000	(10,000,000)	32,728,000	36,437,089	3,709,089
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Transfer revenue

Government grants & subsidies	68,426,000	10,318,000	78,744,000	94,294,680	15,550,680
Fines, Penalties and Forfeits	389,000	(32,000)	357,000	293,845	(63,155)

Total revenue from non-exchange transactions	111,543,000	286,000	111,829,000	131,025,614	19,196,614
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Total revenue	285,224,000	(13,456,000)	271,768,000	303,620,154	31,852,154
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Expenditure

Personnel	(102,671,000)	(5,248,000)	(107,919,000)	(103,644,193)	4,274,807
Remuneration of councillors	(8,555,000)	(42,000)	(8,597,000)	(8,307,182)	289,818
Depreciation and amortisation	(16,015,000)	178,000	(15,837,000)	(47,548,179)	(31,711,179)
Finance costs	(148,000)	(514,000)	(662,000)	(12,203,368)	(11,541,368)
Debt Impairment	(11,755,000)	1,000,000	(10,755,000)	(48,050,690)	(37,295,690)
Bulk purchases	(90,885,000)	15,000,000	(75,885,000)	(106,094,076)	(30,209,076)
Contracted Services	-	(6,208,000)	(6,208,000)	-	6,208,000
Transfers and Subsidies	(8,336,000)	-	(8,336,000)	-	8,336,000
General Expenses	(39,938,000)	1,729,000	(38,209,000)	(54,309,937)	(16,100,937)

Total expenditure	(278,303,000)	5,895,000	(272,408,000)	(380,157,625)	(107,749,625)
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Operating deficit	6,921,000	(7,561,000)	(640,000)	(76,537,471)	(75,897,471)
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Fair value adjustments	-	-	-	(943,516)	(943,516)
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Actuarial gains/losses	-	-	-	(918,367)	(918,367)
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	-	-	-	(1,861,883)	(1,861,883)
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Deficit before taxation	6,921,000	(7,561,000)	(640,000)	(78,399,354)	(77,759,354)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6,921,000	(7,561,000)	(640,000)	(78,399,354)	(77,759,354)
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Reconciliation

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	3,151,000	3,151,000	347,278	(2,803,722)	
Receivables from non-exchange transactions	764,000	9,100,000	9,864,000	24,281,703	14,417,703	
VAT receivable	-	-	-	50,306,544	50,306,544	
Cash and cash equivalents	105,629,000	(96,128,000)	9,501,000	7,556,217	(1,944,783)	
	106,393,000	(83,877,000)	22,516,000	82,491,742	59,975,742	
Non-Current Assets						
Biological assets that form part of an agricultural activity	-	3,500,000	3,500,000	3,369,384	(130,616)	
Investment property	(178,000)	112,000,000	111,822,000	150,995,942	39,173,942	
Property, plant and equipment	16,868,000	129,736,000	146,604,000	535,732,214	389,128,214	
Intangible assets	178,000	115,000	293,000	3,235,845	2,942,845	
Heritage assets	-	2,315,000	2,315,000	2,984,705	669,705	
	16,868,000	247,666,000	264,534,000	696,318,090	431,784,090	
Total Assets	123,261,000	163,789,000	287,050,000	778,809,832	491,759,832	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	297,890	297,890	
Payables from exchange transactions	-	8,383,000	8,383,000	411,884,177	403,501,177	
Consumer deposits	-	2,350,000	2,350,000	2,373,873	23,873	
Employee benefit obligation	-	-	-	11,482,939	11,482,939	
Unspent conditional grants and receipts	-	-	-	4,131,240	4,131,240	
	-	10,733,000	10,733,000	430,170,119	419,437,119	
Non-Current Liabilities						
Other financial liabilities	-	-	-	1,441,287	1,441,287	
Employee benefit obligation	-	-	-	31,375,763	31,375,763	
Provisions	-	31,400,000	31,400,000	33,970,852	2,570,852	
	-	31,400,000	31,400,000	66,787,902	35,387,902	
Total Liabilities	-	42,133,000	42,133,000	496,958,021	454,825,021	
Net Assets	123,261,000	121,656,000	244,917,000	281,851,811	36,934,811	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	123,261,000	121,656,000	244,917,000	334,475,773	89,558,773	

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	108,744,000	(80,598,000)	28,146,000	-	(28,146,000)	
Sale of goods and services	162,744,000	(33,399,000)	129,345,000	-	(129,345,000)	
Grants	87,198,000	14,803,000	102,001,000	-	(102,001,000)	
Interest income	15,962,000	(14,388,000)	1,574,000	-	(1,574,000)	
	374,648,000	(113,582,000)	261,066,000	-	(261,066,000)	
Payments						
Suppliers	(378,182,000)	141,363,000	(236,819,000)	-	236,819,000	
Finance costs	-	(663,000)	(663,000)	-	663,000	
	(378,182,000)	140,700,000	(237,482,000)	-	237,482,000	
Net cash flows from operating activities	(3,534,000)	27,118,000	23,584,000	-	(23,584,000)	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	(20,521,000)	(20,521,000)	-	20,521,000	
Proceeds from sale of property, plant and equipment	-	2,589,000	2,589,000	-	(2,589,000)	
Net cash flows from investing activities	-	(17,932,000)	(17,932,000)	-	17,932,000	
Net increase/(decrease) in cash and cash equivalents	(3,534,000)	9,186,000	5,652,000	-	(5,652,000)	
Cash and cash equivalents at the beginning of the year	-	12,185,000	12,185,000	-	(12,185,000)	
Cash and cash equivalents at the end of the year	(3,534,000)	21,371,000	17,837,000	-	(17,837,000)	

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

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
2021											
Financial Performance											
Property rates	42,728,000	(10,000,000)	32,728,000	-		32,728,000	36,437,089		3,709,089	111 %	85 %
Service charges	150,293,000	(28,576,000)	121,717,000	-		121,717,000	145,153,760		23,436,760	119 %	97 %
Investment revenue	1,120,000	454,000	1,574,000	-		1,574,000	-		(1,574,000)	- %	- %
Transfers recognised - operational	68,426,000	10,318,000	78,744,000	-		78,744,000	81,047,696		2,303,696	103 %	118 %
Other own revenue	22,657,000	14,347,000	37,004,000	-		37,004,000	27,734,625		(9,269,375)	75 %	122 %
Total revenue (excluding capital transfers and contributions)	285,224,000	(13,457,000)	271,767,000	-		271,767,000	290,373,170		18,606,170	107 %	102 %
Employee costs	(102,671,000)	(5,248,000)	(107,919,000)	-	-	(107,919,000)	(103,644,193)	-	4,274,807	96 %	101 %
Remuneration of councillors	(8,555,000)	(42,000)	(8,597,000)	-	-	(8,597,000)	(8,307,182)	-	289,818	97 %	97 %
Debt impairment	(11,755,000)	1,000,000	(10,755,000)			(10,755,000)	(48,050,690)	-	(37,295,690)	447 %	409 %
Depreciation and asset impairment	(16,015,000)	178,000	(15,837,000)			(15,837,000)	(47,548,179)	-	(31,711,179)	300 %	297 %
Finance charges	(148,000)	(514,000)	(662,000)	-	-	(662,000)	(12,203,368)	-	(11,541,368)	1,843 %	8,246 %
Materials and bulk purchases	(90,885,000)	12,000,000	(78,885,000)	-	-	(78,885,000)	(106,094,076)	-	(27,209,076)	134 %	117 %
Transfers and grants	(8,336,000)	-	(8,336,000)	-	-	(8,336,000)	-	-	8,336,000	- %	- %
Other expenditure	(39,938,000)	(1,479,000)	(41,417,000)	-	-	(41,417,000)	(56,171,820)	-	(14,754,820)	136 %	141 %
Total expenditure	(278,303,000)	5,895,000	(272,408,000)	-	-	(272,408,000)	(382,019,508)	-	(109,611,508)	140 %	137 %
Surplus/(Deficit)	6,921,000	(7,562,000)	(641,000)	-		(641,000)	(91,646,338)		(91,005,338)	14,297 %	(1,324)%

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

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	18,772,000	4,485,000	23,257,000	-		23,257,000	13,246,984		(10,010,016)	57 %	71 %
Surplus (Deficit) after capital transfers and contributions	25,693,000	(3,077,000)	22,616,000	-		22,616,000	(78,399,354)		(101,015,354)	(347)%	(305)%
Surplus/(Deficit) for the year	25,693,000	(3,077,000)	22,616,000	-		22,616,000	(78,399,354)		(101,015,354)	(347)%	(305)%
Capital expenditure and funds sources											
Total capital expenditure	(25,572,000)	5,051,000	(20,521,000)	-		(20,521,000)	(14,694,728)		5,826,272	72 %	57 %
Sources of capital funds											
Transfers recognised - capital	(18,772,000)	7,636,000	(11,136,000)	-		(11,136,000)	-		11,136,000	- %	- %
Internally generated funds	(6,800,000)	(2,585,000)	(9,385,000)	-		(9,385,000)	-		9,385,000	- %	- %
Total sources of capital funds	(25,572,000)	5,051,000	(20,521,000)	-		(20,521,000)	-		20,521,000	- %	- %

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

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	(69,549,000)	93,133,000	23,584,000	-		23,584,000	(2,982,536)		(26,566,536)	(13)%	4 %
Net cash from (used) financing	-	-	-	-		-	(1,646,942)		(1,646,942)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(69,549,000)	93,133,000	23,584,000	-		23,584,000	(4,629,478)		(28,213,478)	(20)%	7 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	12,185,695		12,185,695	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(69,549,000)	93,133,000	23,584,000	-		23,584,000	7,556,217		16,027,783	32 %	(11)%

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Financial Statements

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These 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. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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 pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

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.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow [The Community occupied the Land and the Municipality does not expect to derive any future benefits as long as the land is illegally occupied]

Additional information is disclosed in Note 4.

1.5 Biological assets that form part of an agricultural activity

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset. The entity recognises biological assets 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 are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where the Municipality acquires a biological asset through a non-exchange transaction, the biological asset is also measured at its fair value less cost to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Agricultural produce harvested from the Municipality's biological assets is measured at its fair value less costs to sell at the point of harvest.

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.
- to meet service delivery objectives,.

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 at its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.6 Investment property (continued)

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised. carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25-30 years

Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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

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

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

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 on its acquisition date.

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 Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment. Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

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

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25-30
Motor vehicles	Straight-line	5-15
Office equipment	Straight-line	1-20
Infrastructure	Straight-line	7-50
Community	Straight-line	25

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

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 37).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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. If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.9 Intangible assets (continued)

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	5-10

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

Subsequent measurement

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

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

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.10 Heritage assets (continued)

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

Derecognition

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

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance

1.11 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

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

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

A financial asset is:

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1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- 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;

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1.11 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from Exchange and Non-Exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalent	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

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

Class	Category
Other Financial liabilities (Loan and Finance lease)	Financial liability measured at amortised cost
Payables from Exchange transaction	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

1.12 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

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Accounting Policies

1.12 Statutory receivables (continued)

- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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

1.13 Inventories

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Inventories (continued)

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.15 Employee benefits

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

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

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

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

- an entity'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.

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Accounting Policies

1.15 Employee benefits (continued)

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects 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 obligation.

Walter Sisulu Local Municipality

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Accounting Policies

1.15 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 entity 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 entity) that are held by an entity (a fund) that is legally separate from the reporting entity 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 entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity 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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity'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 entity 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.

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

The entity 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

Walter Sisulu Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

The entity 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).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity 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 entity 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 entity 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 entity re-measures 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 entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Walter Sisulu Local Municipality

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Accounting Policies

1.15 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 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.

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1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of 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 entity 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 43.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

Walter Sisulu Local Municipality

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Accounting Policies

1.16 Provisions and contingencies (continued)

- 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.

1.17 Commitments

Items are classified as commitments when an entity 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.

1.18 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Walter Sisulu Local Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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, a 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.

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

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

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

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

Recognition

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

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

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Walter Sisulu Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

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.

Fines

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

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

Walter Sisulu Local Municipality

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Accounting Policies

1.22 Expenditure

The Municipality has the following expenditure classifications:

- Employee related costs
- Remuneration of councillors
- Depreciation and amortisation
- Finance costs
- Debt Impairment
- Bulk purchases
- Transfers and Subsidies
- Loss on disposal of assets and liabilities
- Fair value adjustments
- Actuarial losses
- General Expenses
- Repairs and Maintenance
- Operating Grant expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners

Expenditure is recognised when the asset is consumed or there is an incurrence of a liability

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Walter Sisulu Local Municipality

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Accounting Policies

1.26 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.27 Budget information

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

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.28 Related parties

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

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

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

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

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

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

Close members of the family of a person are 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 financial statements.

Walter Sisulu Local Municipality

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Accounting Policies

1.29 Events after reporting date

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

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	April 1, 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2009	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2021	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	April 1, 2021	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	April 1, 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2021	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2021	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2021	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2021	Unlikely there will be a material impact

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2021 or later periods but are not relevant to its operations:

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3. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets -Fair Value	3,369,384	-	3,369,384	4,312,900	-	4,312,900

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

	Opening balance	Gains or losses arising from changes in fair value	Increase/Decre ase due to physical changes	Total
Biological assets-Fair Value	4,312,900	(1,016,716)	73,200	3,369,384

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Increase/Decre ase due to physical changes	Total
Biological assets -Fair Value	991,654	1,508,946	1,812,300	4,312,900

Walter Sisulu Local Municipality

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

Non-financial information

Quantities of each biological asset

Springbuck	348	694
Blesbuck	353	315
Black Wildebeest	122	87
Gemsbuck	23	35
Redhartebeest	177	142
Eland	10	8
Zebra	55	62
Ostrich	6	6
Buffalo	25	21
Mountain Reedbuck	4	7
	1,123	1,377

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the Aliwal North Nature Reserve, the Aliwal North Spa and Burgersdorp Nature Reserve. The primary activities revolving around biological assets are as follows:

Ensure that the game life in the municipal area are conserved for future generations.

Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

Regular inspection and maintenance of boundary fences to manage movement of biological assets

Walter Sisulu Local Municipality

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4. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	184,422,893	(33,426,951)	150,995,942	184,437,701	(28,973,335)	155,464,366

Reconciliation of investment property - 2021

	Opening balance	Disposals	Depreciation and impairment	Total
Investment property	155,464,366	(4,145)	(4,464,279)	150,995,942

Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers received	Depreciation and impairment	Total
Investment property	151,015,298	(1,488,244)	8,356,924	(2,419,612)	155,464,366

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

There are some properties included in the Investment Property which the Municipality is the Legal owner, however the properties have been illegally occupied.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal:

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements:

Walter Sisulu Local Municipality

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5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19,899,313	-	19,899,313	19,899,313	-	19,899,313
Buildings	115,395,947	(53,525,337)	61,870,610	116,482,125	(46,741,481)	69,740,644
Motor vehicles	15,868,579	(9,285,427)	6,583,152	13,970,752	(8,882,505)	5,088,247
Infrastructure	599,267,030	(232,622,904)	366,644,126	615,091,337	(208,333,472)	406,757,865
Community	19,576,288	(8,452,184)	11,124,104	20,396,671	(8,209,300)	12,187,371
Other property, plant and equipment	14,079,221	(10,520,660)	3,558,561	14,350,134	(11,159,354)	3,190,780
Work In Progress	56,549,149	-	56,549,149	42,245,083	-	42,245,083
Capitalised Restoration Cost	21,015,191	(11,511,992)	9,503,199	20,038,577	(10,838,722)	9,199,855
Total	861,650,718	(325,918,504)	535,732,214	862,473,992	(294,164,834)	568,309,158

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation and impairment	Total
Land	19,899,313	-	-	-	-	-	-	19,899,313
Buildings	69,740,644	-	(557,059)	-	(43,438)	-	(7,269,537)	61,870,610
Motor vehicles	5,088,247	1,900,222	(1,247)	-	-	-	(404,070)	6,583,152
Infrastructure	406,757,865	249,299	(7,639,794)	4,146	-	-	(32,727,390)	366,644,126
Community	12,187,371	-	(641,700)	-	1,015,202	-	(1,436,769)	11,124,104
Other property, plant and equipment	3,190,780	1,190,714	(55,272)	-	-	-	(767,661)	3,558,561
Work In Progress	42,245,083	15,362,805	(43,537)	-	(1,015,202)	-	-	56,549,149
Capitalised Restoration Cost	9,199,855	-	-	-	-	976,615	(673,271)	9,503,199
	568,309,158	18,703,040	(8,938,609)	4,146	(43,438)	976,615	(43,278,698)	535,732,214

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements and impairment	Depreciation and impairment	Total
Land	24,029,464	-	(247,144)	(3,883,007)	-	-	19,899,313
Buildings	78,116,526	-	(16,840)	(4,161,578)	-	(4,197,464)	69,740,644
Motor vehicles	5,457,965	-	-	-	-	(369,718)	5,088,247
Infrastructure	413,173,413	7,143,242	-	8,147,225	-	(21,706,015)	406,757,865
Community	12,995,098	-	-	-	-	(807,727)	12,187,371
Other property, plant and equipment	3,248,597	409,900	-	123,897	-	(591,614)	3,190,780
Work In Progress	39,739,075	2,506,008	-	-	-	-	42,245,083
Capitalised Restoration Cost	7,322,680	-	-	-	3,162,289	(1,285,114)	9,199,855
	584,082,818	10,059,150	(263,984)	226,537	3,162,289	(28,957,652)	568,309,158

Reconciliation of Property, Plant and Equipment- Capitalised Restoration cost

Cost		20,038,577	16,876,287
Accumulated depreciation		(10,838,722)	(9,553,607)
Additions		976,614	3,162,290
Depreciation		(673,271)	(1,285,115)
		9,503,198	9,199,855

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Walter Sisulu Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position. Refer to note 19 for more detail relating to this asset financed by way of a provision

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
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5. Property, plant and equipment (continued)		
Buildings	Straight-line	25-30
Roads and Storm Water	Straight-line	7-50
Electricity	Straight-line	20-45
Recreation Grounds and facilities	Straight-line	25
Cemetery	Straight-line	25
Office equipment and tools	Straight-line	1-20
Motor vehicle and implements	Straight-line	5-15
Office Equipment	Straight-line	3-5

Other information

Included in the Property, plant and equipment is properties with a carrying amount of R8 041632,20 that the municipality does not have control over.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	11,177,848	31,023,698	43,537	42,245,083
Additions/capital expenditure	14,215,511	1,147,295	-	15,362,806
Disposal	-	-	(43,537)	(43,537)
Transferred to completed items	(1,015,203)	-	-	(1,015,203)
	24,378,156	32,170,993	-	56,549,149

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	15,204,135	24,491,404	43,537	39,739,076
Additions/capital expenditure	880,326	6,532,294	-	7,412,620
Transferred to completed items	(4,906,613)	-	-	(4,906,613)
	11,177,848	31,023,698	43,537	42,245,083

Expenditure incurred to repair and maintain property, plant and equipment

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

General expenses	5,407,039	4,743,677
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6,675,376	(3,439,531)	3,235,845	3,238,052	(2,998,147)	239,905

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	239,905	3,437,324	(441,384)	3,235,845

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Total
Computer software, other	313,992	67,743	(141,830)	239,905

Intangible Assets consist only of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

Pledged as security

No intangible assets pledged as security for liabilities

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6. Intangible assets (continued)

Restricted title

There are no intangible assets whose title is restricted:

There are no contractual commitments for the acquisition of intangible assets.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand

7. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2,984,705	-	2,984,705	2,984,705	-	2,984,705

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	2,984,705	2,984,705

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	2,984,705	2,984,705

Heritage assets which fair values cannot be reliably measured

There were no movement in heritage assets during the period under review.

The municipality holds heritage assets, but was unable to obtain fair values for all such assets. These assets are disclosed herein in terms of GRAP 103.17 (at R 1) which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

7. Heritage assets (continued)

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

Details of Heritage Assets	2021	2020
Block House	326,500	326,500
Jubilee Fountain	114,212	114,212
Taal Mountain	222,450	222,450
Voortrekkerdrif	1	1
Light of Century	1	1
Cencentrion Camp Kerkhof	1	1
Durban Street Cemetry	150,000	150,000
Old Cemetry by the river	149,000	149,000
Fort at Nature Reserve	1	1
Fort on Bronepad	10,000	10,000
Fort behind the hospital	1	1
SA War Memorial Site	90,000	90,000
Freedom Square	1	1
Kerkplein Museum	1,459,500	1,459,500
Joe Gqabi Statue	58,536	58,536
Museum -Old library	343,000	343,000
Frere Bridge	1	1
Jamestown Museum	61,500	61,500
	2,984,705	2,984,705

Restrictions on heritage assets

There are no restrictions on realisatibility of heritage assets or remittance of revenue and proceeds of disposal :

There are no contractual obligations to purchase , construct or develop Heritage Assets or for repairs, maintenance or enhancements.

Pledged as security

No heritage assets pledged as security:

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

8. Employee benefit obligations

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

Carrying value		
Opening balance	(37,740,829)	(37,740,829)
Movement for the year	(5,117,873)	-
	(42,858,702)	(37,740,829)
Non-current liabilities	(31,375,763)	(26,119,580)
Current liabilities	(11,482,939)	(11,621,249)
	(42,858,702)	(37,740,829)

Post Retirement Medical Benefits

The Movement for Post retirement medical benefits is reconciled as follows:

Opening Balance	22,658,426	25,893,644
Current service cost	1,089,040	1,030,379
Current interest cost	3,005,120	2,401,030
Payments made	(895,270)	(939,181)
Actuarial (gain)/loss over financial year	(256,694)	(5,727,446)
Closing Balance	25,600,622	22,658,426

Net expense recognised in the statement of financial performance

Current service cost	1,089,040	1,030,379
Interest cost	3,005,120	2,401,030
Actuarial (gains) losses	(256,694)	(5,727,446)
Payments made	(895,720)	(939,181)
	2,941,746	(3,235,218)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- KeyHealth
- LA Health
- HOSMED
- SAMWUMED

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:	2021	2020
In-service (employee) members	139	133
In-service (employee) non-members	206	214
Continuation members (e.g. Retirees, widows, orphans)	19	21
	364	368

The liability in respect of past service has been estimated to be as follows:	2021	2020
In-service members	12,916,738	9,458,967
In-service non-members	4,277,860	3,410,402
Continuation members	8,406,024	9,789,057
	25,600,622	22,658,426

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.39 %	13.53 %
Consumer price inflation	6.38 %	7.74 %
Health Care Cost Inflation Rate	7.88 %	9.24 %
Net Effective Discount Rate	3.25 %	3.93 %

The discount rate used is a composite of all government bonds and is calculated using a technique known as bootstrapping.

Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

Last Valuation

The last valuation was performed on 15 July 2021.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities

Sensitivity Analysis

The effect of a one percent increase and decrease in the medical inflation is as follows:

	1% decrease R's	30 June 2021 Valuation basis R's	1% increase R's
Employer's accrued liability	20,002,847	22,658,426	25,868,007
Employer's service cost (year following)	916,534	1,089,040	1,305,391
Employer's interest cost (year following)	2,640,710	3,005,120	3,433,662
	-	-	-

The effect of a one percent increase and decrease in the discount rates is as follows:

	1% decrease R's	30 June 2021 Valuation basis R's	1% increase R's
Employer's accrued liability	29,527,900	25,600,622	22,436,742
Employer's service cost (year following)	1,499,416	1,243,982	1,044,237
Employer's interest cost (year following)	3,026,612	2,870,595	2,730,618
	-	-	-

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
8. Employee benefit obligations (continued)		
Long Service Awards		
The movement in Long Service Awards (LSA) is as follows .		
.		
	2021	2020
Opening Balance	5,024,079	4,856,750
Current service cost	430,813	532,800
Current interest cost	369,903	379,509
Payments	(587,723)	(702,487)
Actuarial (gain)/loss	618,001	(42,493)
Closing Balance	5,855,073	5,024,079
Net expense recognised in the statement of financial performance		
	2021	2020
Current service cost	430,813	532,800
Current interest cost	369,903	379,509
Payments	(587,723)	(702,487)
Actuarial (gain)/loss	618,001	(42,493)
	830,994	167,329
The following employees are eligible for long service awards		
	2021	2020
In-Service Members	345	347
The liability in respect of past service has been estimated to be:		
	2021	2020
In-Service Members	5,855,073	5,024,079

Key Actuarial Assumptio

Discount rate : 8.17% (2020: 7.82%)

CPI - Inflation: 4.64% (2020: 2.86%)

Salary increase rate: 5.64% (2020: 3.86%)

Net Discount Rate: 2.39% (2020: 3.81%)

The discount rate used is a composite of all government bonds and is calculated using a technique known as bootstrapping.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities

Last Valuation

The last valuation was performed on 15 July 2021

Sensitivity Analysis

.			
The effect of a one percent increase and decrease in salary inflation is as follows	1% decrease R's	30 June 2021 Valuation basis R's	1% increase R's

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
8. Employee benefit obligations (continued)		
Employer's accrued liability	5,492,010	6,253,783
Employer's current service cost	458,866	533,142
Employer's interest cost	413,022	493,744
	-	-

The effect of a one percent increase and decrease in the discount rates is as follows:	1% decrease R's	30 June 2021 Valuation basis R's	1% increase R's
Employer's accrued liability	6,247,820	5,855,073	5,503,233
Employer's current service cost	532,554	494,053	459,948
Employer's interest cost	432,832	461,170	485,417
	-	-	-

9. Inventories

Consumable Stores	347,278	326,476
Carrying value of inventories carried at fair value less costs to sell	692,720	551,511
Inventories recognised as an expense during the year	(345,442)	(225,035)

Inventories are disclosed at the lower of cost or net realisable value.

10. Receivables from exchange transactions

Consumer debtors - Electricity	19,777,355	15,452,367
Consumer debtors - Refuse	19,991,070	3,788,972
Consumer debtors - Other Arrears	2,559,898	1,061,098
Consumer debtors - JGDM	10,295,640	10,295,640
	52,623,963	30,598,077

No trade and other receivables pledged as security.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2021, R - (2020: R26 520 775 -) were past due but not impaired.

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

11. Receivables from non-exchange transactions

Consumer debtors - Rates	22,518,264	4,636,579
Consumer debtors - Other (Specified)	1,763,439	9,973,387
	24,281,703	14,609,966

12. VAT receivable

VAT	50,306,544	49,113,265
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VAT is payable/receivable on the cash basis. Payments to and claims from SARS only occurs when actual cash flow takes place.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
12. Consumer debtors (continued)		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.		
13. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	110,234,326	40,958,436
Consumer debtors - Electricity	74,274,584	58,140,945
Consumer debtors - Refuse	94,276,480	77,822,595
Consumer debtors - Other Arrears	32,938,714	22,288,885
Consumer debtors - JGDM	10,295,640	10,295,640
Consumer debtors - Other (Specified)	1,763,439	9,973,387
	323,783,183	219,479,888
Less: Allowance for impairment		
Consumer debtors - Rates	(87,716,062)	(36,321,857)
Consumer debtors - Electricity	(54,497,229)	(42,688,578)
Consumer debtors - Refuse	(74,285,410)	(74,033,623)
Consumer debtors - Other Arrears	(30,378,816)	(21,227,787)
	(246,877,517)	(174,271,845)
Net balance		
Consumer debtors - Rates	22,518,264	4,636,579
Consumer debtors - Electricity	19,777,355	15,452,367
Consumer debtors - Refuse	19,991,070	3,788,972
Consumer debtors - Other Arrears	2,559,898	1,061,098
Consumer debtors - JGDM	10,295,640	10,295,640
Consumer debtors - Other (Specified)	1,763,439	9,973,387
	76,905,666	45,208,043
Statutory receivables included in consumer debtors above are as follows:		
Rates-Debtors	22,518,264	4,636,579
Financial asset receivables included in consumer debtors above	54,387,402	40,571,464
Total consumer debtors	76,905,666	45,208,043
Rates		
Current (0 -30 days)	11,674,199	297,089
31 - 60 days	915,959	162,538
61 - 90 days	720,798	127,906
91 - 120 days	9,207,308	4,049,046
	22,518,264	4,636,579
Electricity		
Current (0 -30 days)	1,487,926	3,047,971
31 - 60 days	1,268,920	683,740
61 - 90 days	2,168,132	625,268
91 - 120 days	14,852,377	11,095,388
	19,777,355	15,452,367

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

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13. Consumer debtors disclosure (continued)

Refuse

Current (0 -30 days)	473,751	106,982
31 - 60 days	410,092	92,607
61 - 90 days	398,506	89,990
91 - 120 days	18,708,721	3,499,393
	19,991,070	3,788,972

Other Areas

Current (0 -30 days)	72,704	87,622
31 - 60 days	112,948	29,741
61 - 90 days	1,063,222	27,996
91 - 120 days	1,311,024	915,739
	2,559,898	1,061,098

Consumer Debtor-JGDM

121 - 365 days	10,295,640	10,295,640
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Other (specify)

> 365 days	1,763,439	9,973,387
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14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash Floats	18,434	18,264
Current Account	4,419,689	1,173,063
Call Investments and Notice Deposits	3,118,094	10,994,368
	7,556,217	12,185,695

Due to the short term nature of cash deposits, all balances included above is in line with their fair value.

Cash and cash equivalents are held to support the following commitments:

Unspent Conditional Grants	4,131,240	11,614,125
Committed for DBSA loan	297,890	305,476
Working Capital Requirements/(Shortfall)	3,127,087	266,093
	7,556,217	12,185,694

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2021	June 30, 2020	June 30, 2019
First National Bank - Main Account - 6247 6326 965	7,255,948	910,031	739,603	8,019,551	1,158,041	1,380,783
ABSA Bank - Aliwal North Branch - 1750 14 1125	9,727	15,022	20,301	-	15,022	20,301
ABSA Bank - Aliwal North Branch - 4059 12 9037	-	-	3,021,321	-	-	3,021,321
ABSA 32 Day Notice - Acc 92 7883 5880	94,561	10,668,628	8,590,867	94,561	-	-
ABSA Call Account - Acc 92 7435 2868	314,848	305,476	288,838	314,848	-	-
First National Bank Call Account - Acc 62 4822 13247	3,144,058	10,210	9,657	3,144,058	-	-
ABSA 32 Day Notice - Acc 50 6434 4937	2,342	2,340	2,278	2,342	-	-
ABSA 32 Day Notice - Acc 9064489631	7,720	7,710	7,510	7,720	-	-
Total	10,829,204	11,919,417	12,680,375	11,583,080	1,173,063	4,422,405

15. Finance lease obligation

Minimum lease payments due

- within one year - 82,706

The municipality entered into lease vehicle finance leases on 03/09/ 2015 and the agreement expired on 01/10/2020.

The average lease term was 5 years and the average effective borrowing rate was 10% (2021: 10%).

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government (MIG)	212,616	1,345,310
National Government (INEP)	1,593,492	4,787,182
Provincial Government (Other Grants)	835,246	3,991,747
District Municipality (JGDM)	1,489,886	1,489,886
	4,131,240	11,614,125

Movement during the year

Balance at the beginning of the year	11,614,125	12,491,960
Additions during the year	14,403,780	32,598,530
Income recognition during the year	(21,886,665)	(33,476,365)
	4,131,240	11,614,125

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
16. Unspent conditional grants and receipts (continued)		
These amounts are invested in a ring-fenced investment until utilised.		
17. Other financial liabilities		
At amortised cost		
Bank loan	1,739,177	1,918,907
Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027.		
Annuity loans were fully utilised to purchase property plant and equipment. No loans were unspent for the year end.]		
Annuity loans, disclosed at amortised cost, consist out of the following agreements:		
Development Bank of South Africa (DBSA) (Maliwai Local Municipality)		
Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027		
Non-current liabilities		
At amortised cost	1,441,287	1,635,352
Current liabilities		
At amortised cost	297,890	283,555

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	31,609,731	2,361,121	33,970,852

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	27,582,752	3,162,290	864,689	31,609,731

The provision relates to the rehabilitation of the Landfill site. The operation, licencing, management and closure of landfill sites in South Africa is highly regulated

Currently, landfill sites are regulated under the Waste Act, that is binding on all spheres of government, and any person that undertakes an activity that produces waste or involves the handling of waste. The Waste Act should be read with the National Environmental Act, Act No. 107 of 1998 that provides the legislative framework for environmental protection

The Minimum Requirements establish a framework for all technical aspects of the licencing, operation, management, rehabilitation, monitoring and closure of the landfill site

Closure is the final step in the operation of the landfill site. The rehabilitation of the landfill site is required to ensure that the site is environmentally acceptable after the landfill site has stopped receiving waste,

It is estimated that no site will be rehabilitated within 1 year from reporting date and thus there are no short term portion associated with this provision.

The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below. :

- Aliwal North: 2020
- Burgersdorp: 2024
- Jamestown: 2029
- Steynsburg: 2021
- Venterstad: 2051

-

19. Payables from exchange transactions

Trade payables	392,043,590	302,368,759
Payments received in advanced - contract in process	-	7,598,052
Retentions	2,901,762	2,169,862
Joe Gqabi District Municipality (Water and Sanitation)	14,678,375	14,678,378
Deposits received	180,500	3,469,556
Other creditors	-	23,054,556
Unallocated Deposits	2,312	2,312
Prepaid Electricity	2,063,303	2,063,303
Interest Accrued	14,335	37,735
	411,884,177	355,442,513

Payables are being recognised net of any discounts received

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

19. Payables from exchange transactions (continued)

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposit.

Significant amount of payables relates to ESKOM debt and employee related obligations.

20. Consumer deposits

Electricity	2,373,873	2,352,444
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The carrying amount of consumer deposits are in line with the fair value. The outstanding balance does not attract any interest.

21. Revenue

Service charges	145,153,760	127,141,443
Rental of facilities and equipment	2,463,012	2,631,198
Interest received (trading)	16,878,403	12,789,964
Agency services	3,946,873	2,596,224
Licences and permits	2,073,710	940,517
Miscellaneous other revenue	2,078,782	3,227,895
Property rates	36,437,089	31,226,650
Government grants & subsidies	94,294,680	91,237,692
Fines, Penalties and Forfeits	293,845	751,871
	303,620,154	272,543,454

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

Service charges	145,153,760	127,141,443
Rental of facilities and equipment	2,463,012	2,631,198
Interest received (trading)	16,878,403	12,789,964
Agency services	3,946,873	2,596,224
Licences and permits	2,073,710	940,517
Other Income	2,078,782	3,227,895
	172,594,540	149,327,241

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

Taxation revenue		
Property rates	36,437,089	31,226,650
Transfer revenue		
Government grants & subsidies	94,294,680	91,237,692
Fines, Penalties and Forfeits	293,845	751,871
	131,025,614	123,216,213

22. Service charges

Sale of electricity	126,634,484	108,087,430
Refuse removal	18,519,276	19,054,013
	145,153,760	127,141,443

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
23. Rental of facilities and equipment		
Premises		
Properties and Commonage	2,398,704	2,503,745
Hall hire	57,359	100,037
	2,456,063	2,603,782
Facilities and equipment		
Rental of facilities and resorts	6,949	23,784
Rental of equipment	-	3,631
	6,949	27,415
	2,463,012	2,631,197
24. Fines, Penalties and Forfeits		
Meter Tempering	44,193	115,894
Library Fines	-	1,477
Traffic Fines	249,652	634,500
	293,845	751,871
25. Agency services		
Management Fees	3,946,873	2,596,224
26. Licences and permits (exchange)		
Licence and permit Fees	2,073,710	940,517

The licence and permit amount include Drivers license, Public License fees, Roadworthy certificates, Special Permits, Vehicle License fees and Vehicle Registration Fees.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
27. Property rates		
Rates received		
Property rates	36,437,089	31,226,650
Valuations		
Albert RD	2,064,474,790	2,020,897,915
Aliwal North	2,668,010,797	2,674,805,593
Aliwal North RD	1,182,486,419	1,179,500,983
Burgersdorp	799,847,052	798,516,254
Colesburg RD	173,578,273	173,578,273
Dukathole	424,011,409	423,204,699
Jamestown	164,994,607	164,495,964
Khayamnandi	102,096,005	98,684,336
Middleburg RD	600,000	600,000
Molteno RD	11,500,000	11,500,000
Mzamomhle	264,158,300	239,341,301
Odendaalstroom	456,900	446,900
Oviston	100,626,008	99,137,082
PHILIPPOLIS RD	1,050,000	1,050,000
Steynsburg RD	1,261,855,309	1,025,014,340
Venterstad	232,160,628	229,814,168
Wodehouse RD	809,364,748	-
Dordrecht Agricultural	-	789,918,088
Steynsburg	-	237,467,992
	10,261,271,245	10,167,973,888

Valuations for 2021 total R 10,261,271,245 (2020: 10,167,973,888)

Valuations on land and buildings are performed every 4-5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis and monthly. The monthly rates are payable on due and annual rates are payable before 30 September, interest is levied at the prime interest at prime plus 1% per annum

The first R15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of Property Rates Act.

Property rates

Residential properties	0.00945111	0.00903548
Residential properties mixed use	0.01796867	0.01717846
Commercial/Business properties	0.01058907	0.01058907
Industrial properties	0.01107617	0.01058907
Public Service Infrastructure properties (25% of Residential properties)	0.00236278	0.00225887
Agricultural properties used for agricultural purposes	0.00134776	0.00128849
Agricultural properties used for commercial/industrial purposes/wind farm/solar	0.00134776	0.00128849
Agricultural properties used for eco-tourism, conservation	0.00134776	0.00128849
Agriculture trading in or hunting of game	0.00512786	0.00490235
Agricultural properties not used for any purpose/ purpose	0.02115220	0.02022199
Agriculture farms used for private Towns	0.02115220	0.02022199
State-owned properties	0.02115220	0.02022199
Vacant properties	0.02395955	0.02290588

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Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
28. Grants and subsidies paid		
Other subsidies		
Indigent Subsidies	-	86,537

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
29. Government grants and subsidies		
Operating grants		
Equitable share	72,408,000	58,203,852
Expanded Public Works Program (EPWP)	1,190,000	1,565,000
Greening and Beautification	442,525	1,557,475
Financial Management Grant (FMG)	2,000,000	3,000,000
Mun Dist Relief-COVID 19 Grant	-	455,764
National Treasury Audit Fees Grant -1%	2,162,856	2,472,221
Skills Development Fund	135,915	148,636
Library Grant	2,000,000	2,000,000
Municipal Infrastructure Grant	708,400	943,600
	81,047,696	70,346,548
Capital grants		
Municipal Infrastructure Grant	13,246,984	16,571,398
Integrated National Electrification Programme (INEP)	-	3,642,566
Joe Gqabi District Municipality Grant	-	677,180
	13,246,984	20,891,144
	94,294,680	91,237,692

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	21,886,680	33,033,840
Unconditional grants received	72,408,000	58,203,852
	94,294,680	91,237,692

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1,345,310	-
Current-year receipts	14,168,000	18,872,000
Conditions met - transferred to revenue	(13,955,384)	(17,526,690)
Returned to National Revenue Fund	(1,345,310)	-
	212,616	1,345,310

Conditions still to be met - remain liabilities (see note 16).

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	4,787,182	906,155
Current-year receipts	-	8,514,000
Conditions met - transferred to revenue	-	(3,726,818)
Returned to National Revenue Fund	(3,193,690)	(906,155)
	1,593,492	4,787,182

Conditions still to be met - remain liabilities (see note 16).

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
29. Government grants and subsidies (continued)		
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
Other Grants (Including Housing Grant)		
Balance unspent at beginning of year	3,991,747	3,549,222
Current-year receipts	2,000,000	4,000,000
Conditions met - transferred to revenue	(2,442,526)	(3,557,475)
Written off	(2,713,975)	-
	835,246	3,991,747
Conditions still to be met - remain liabilities (see note 16).		
Other Grants include Spatial Development Plan, 1218 Link Houses, Area 5 services, Jamestown 858 Houses, Land Survey Management, LED Garden Project Jamestown, Greening and Beautification Grant. During 2021, the council wrote off R2713 976 of these historical unspent balances.		
Joe Gqabi District Municipality Grant		
Balance unspent at beginning of year	1,489,886	1,489,886
Current-year receipts	-	560,000
Conditions met - transferred to revenue	-	(560,000)
	1,489,886	1,489,886
Conditions still to be met - remain liabilities (see note 16).		
The grant is allocated for the following purposes:		
- Street refurbishment Aliwal North		
- Fencing of Community Hall		
- Sports track upgrading		
During the current financial year no expenditure was incurred in respect of the Grant.		
Financial Management Grant (FMG)		
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 16).		
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
Expanded Public Works Program (EPWP)		
Current-year receipts	1,190,000	-
Conditions met - transferred to revenue	(1,190,000)	-
	-	-
National Treasury Audit Fees Grant -1%		
Current-year receipts	2,162,856	-
Conditions met - transferred to revenue	(2,162,856)	-
	-	-

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

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Figures in Rand	2021	2020
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29. Government grants and subsidies (continued)

Skills Development Fund

Current-year receipts	135,915	148,636
Conditions met - transferred to revenue	(135,915)	(148,636)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

The skills Development Grant is utilised to cover expenditure relating to trainingt

Municipal Disaster Relief-COVID 19 Grant

Current-year receipts	-	477,000
Conditions met - transferred to revenue	-	(477,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
30. Employee related costs		
Basic	72,912,386	61,001,266
Bonus	5,091,939	4,890,192
Medical aid - company contributions	3,170,686	2,815,492
UIF	11,390,739	11,226,867
SDL	1,600,975	666,614
Other payroll levies	96,969	45,210
Leave pay provision charge	559,294	(148,942)
Travel, motor car, accommodation, subsistence and other allowances	2,814,113	2,417,538
Overtime payments	2,724,361	2,810,352
Long-service awards	423,617	546,673
Acting allowances	410,976	621,426
Housing benefits and allowances	248,060	307,405
Cellphone allowance	677,678	125,662
Standby allowance	719,686	920,011
Long-term benefits - incentive scheme	802,714	1,738,883
	103,644,193	89,984,649

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

Remuneration of Municipal Manager-FKP Ntlemeza

Annual Remuneration	760,783	877,046
Car Allowance	460,625	392,564
	1,221,408	1,269,610

Remuneration of Chief Finance Officer-Y Ngqele

Annual Remuneration	640,333	435,217
Car Allowance	377,136	392,564
	1,017,469	827,781

Mr Y Ngqele was appointed in November 2020.

Remuneration the Director of Corporate Services-Z E Phungwani

Annual Remuneration	737,206	752,874
Car Allowance	280,264	321,847
	1,017,470	1,074,721

Mr Y Ngqele was appointed in November 2020.

Remuneration of the Director of Technical Services -Z Nogene

Annual Remuneration	-	363,154
Car Allowance	-	181,738
	-	544,892

Remuneration of the Director of Community Services-NBB Mokhantso

Annual Remuneration	-	239,470
Car Allowance	-	292,390
	-	531,860

Remuneration of the Director Technical Services- TP Mosompa

Annual Remuneration	509,112	-
Car Allowance	245,511	-
Acting Allowance	-	98,119

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand

	2021	2020
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30. Employee related costs (continued)

	754,623	98,119
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Mr TP Mosompa acted as a Director during the period July-August 2020 and was employed for the position in September 2020.

Remuneration of the Chief Financial Officer-M A Ngcobo

Annual Remuneration	-	83,828
Car Allowance	-	63,533
	-	147,361

Remuneration of the Director -W Nodwele

Acting Allowance	-	136,156
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Remuneration of the of Acting CFO-NG Spelt

Acting Allowance	-	21,959
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Director Corporate Services (R Godsson)

Annual Remuneration	446,764	-
Car Allowance	316,338	-
	763,102	-

The Director was appointed in October 2020.

31. Remuneration of councillors

Councillors	6,647,617	6,796,838
Travelling Allowance	330,272	635,512
Telephone Allowance	1,329,293	939,800
	8,307,182	8,372,150

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

32. Depreciation and amortisation

Property, plant and equipment	43,278,698	28,957,652
Investment property	3,828,097	2,142,491
Intangible assets	441,384	141,830
	47,548,179	31,241,973

33. Finance costs

Trade and other payables	3,381,524	23,235,902
Finance leases	1,384,507	20,693
Available-for-sale debt instruments	7,437,337	3,925,449
	12,203,368	27,182,044

34. Debt impairment

Debt impairment	48,050,690	44,150,034
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Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
35. Bulk purchases		
Electricity - Eskom	106,094,076	99,777,932
Electricity losses		
36. Contracted services		
37. General expenses		
Advertising	357,165	702,534
Valuation Costs	422,189	1,413,960
Auditors remuneration	583,337	6,578,606
Bank charges	446,442	581,558
Cleaning	1,163,636	120,181
Commission paid	787,174	1,707,494
Consulting and professional fees	6,840,745	1,264,285
Consumables	31,600	-
Insurance	2,409,294	1,782,289
Magazines, books and periodicals	304,936	186,191
Fuel and oil	3,513,444	2,381,136
Postage and courier	(9,639)	487
Printing and stationery	551,640	318,954
Protective clothing	(370,956)	108,982
Repairs and maintenance	5,407,039	4,743,677
Security (Guarding of municipal property)	3,250,144	2,939,972
Subscriptions and membership fees	4,064,475	2,242,415
Telephone and fax	3,167,703	1,930,310
Training	701,257	1,105,908
Travel - local	1,984,751	2,552,206
Electricity	2,841,383	760,418
General Expenditure	12,861,376	3,517,099
Integrated development planning	-	1,500
License fees	478,423	5,982,929
Operating Grant Expenditure	2,390,000	4,692,389
Projects from own funds	132,379	168,110
	54,309,937	47,783,590
Reconciliation to Statement of Financial Performance	2021	2020
Total General Expenses	54,309,937	47,783,590
Repairs and Maintenance	(5,407,039)	(4,743,677)
Operating Grant Expenditure	(2,390,000)	(4,692,389)
	46,512,898	38,347,524
38. Fair value adjustments		
Biological assets - (Fair value model)	(943,516)	3,321,246
39. Auditors' remuneration		
Fees	583,337	6,578,606

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
40. Cash (used in) generated from operations		
Deficit	(78,399,354)	(68,351,626)
Adjustments for:		
Depreciation and amortisation	47,548,179	31,241,973
Gain on sale of assets and liabilities	-	1,750,889
Actuarial gain	943,516	(6,113,472)
Finance costs - Finance leases	1,384,507	3,789,384
Debt impairment	48,050,690	44,150,034
Bad debts written off	-	(4,335,686)
Movements in retirement benefit assets and liabilities	5,007,873	(7,135,396)
Movements in provisions	2,361,121	6,248,979
Grant withheld	-	(7,452,852)
Changes in working capital:		
Inventories	(20,802)	60,980
Receivables from exchange transactions	-	(30,598,077)
Receivables (Exchange and non-exchange)	(77,645,195)	-
Other receivables from non-exchange transactions	-	(14,609,965)
Payables from exchange transactions	56,441,664	59,016,244
VAT	(1,193,279)	(1,335,209)
Unspent conditional grants and receipts	(7,482,885)	6,575,018
Consumer deposits	21,429	2,999,756
	(2,982,536)	15,900,974

41. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	52,623,963	52,623,963
Other receivables from non-exchange transactions	24,281,703	24,281,703
Cash and cash equivalents	7,556,217	7,556,217
	84,461,883	84,461,883

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1,739,177	1,739,177
Trade and other payables from exchange transactions	411,884,177	411,884,177
Taxes and transfers payable (non-exchange)	4,131,240	4,131,240
	417,754,594	417,754,594

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	30,598,077	30,598,077
Other receivables from non-exchange transactions	14,609,966	14,609,966
Cash and cash equivalents	12,185,695	12,185,695
	57,393,738	57,393,738

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
41. Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Other financial liabilities	3,658,084	3,658,084
Trade and other payables from exchange transactions	355,442,513	355,442,513
Taxes and transfers payable (non-exchange)	11,614,125	11,614,125
	370,714,722	370,714,722
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5,412,477	7,330,297
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	18,170,469	-
Total capital commitments		
Already contracted for but not provided for	5,412,477	7,330,297
Not yet contracted for and authorised by accounting officer	18,170,469	-
	23,582,946	7,330,297

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
43. Contingencies		
The municipality were exposed to the following contingent liabilities at year end:		
Contingent liabilities	2021	2020
Pioneer Foods instituted an application on 8 December 2018 which led to the 11 December 2018 Walter Sisulu order by the Gauteng High Court. Eskom was ordered to comply with the court order not to interrupt the supply of electricity to the Walter Sisulu Municipality and Pioneer Foods. The municipality was cited as second responded to the case. The applicant has obtained the relief from specific Court they require, namely uninterrupted electricity supply to their client, Pioneerfoods/Sasko, Aliwal North. To date no Order has been compelling us as, 2nd Respondent, to pay our full outstanding debt to Eskom. Our mandate was to legally do what is necessary to avoid such an Order, as it could financially cripple our client, the 2nd Respondent.	145,000,000	145,000,000
Nomagwayi Developers filed a law suit against the erstwhile Maletswai Local Municipality for failure to honour the tripartite agreement to avail 420 erven for low costs housing project in Aliwal North, Area 13. The contractor claimed loss of income anticipated from conveyancing fees. The municipality was successful. The matter has now been taken on appeal, no new developments	3,000,000	3,000,000
TA Mawonga (Case 1):The plaintiff still demands reinstated as MM of WSLM. He wants the ruling of Grahamstown high court full bench to be overturned Appeal set down for 2 September 2020	180,000	180,000
LS Morolong :Letter of demand was received from Scorpion Legal Protection claiming compensation, after the plaintiff's motorcycle was damaged as an alleged result of potholes in Durban Street, Aliwal North within our client's jurisdiction. Through consultation and correspondence we successfully defended the municipality and no further legal steps were taken as a Summons.	-	35,000
Andries Pienaar: A Summons was received by our client in terms whereof the Plaintiff, a former employee of our client claimed his Pension benefits. Through consultation and correspondence with the former Administrator and through settlement proposals made, the plaintiff understood that the municipality would fulfil their legal obligation towards the pension fund, so that the pension fund could pay out the plaintiff. A direct payout from our client, the former employee to the plaintiff would not be proper and the administration made this clear. We have thus defended our client in this matter to date.	-	100,000
Lebe Mero Transport: A contractor working in Mzamohle, Burgersdorp utilised a heavy truck which truck cross the bridge in Mzamohle wrongfully and unlawfully travelled on the side walk and broke such side walk concrete slabs falling through and damaging the truck. Summons was issued by the Insurance Company who had repaired this truck against us a possible liable party. The writer was instructed to defend the municipality and after consultation with the Administrator, it became clear that the Technical Service manager had dealt with this matter comprehensively at the scene. The driver and contractor admitted at the scene that this damage to the bridge was their fault and they repaired the bridge at their own cost. This was put in writing to the Attorneys for the Plaintiff and they have taken no further legal steps since. We have thus been successful in defending the municipality in this matter to date.	-	130,000
Phumelela Dlomo JV Kantera: The municipality was litigated by the aggrieved contractors that were not appointed for paving project in Steynsburg. The municipality and the appointed contractor were interdicted and restrained from performing any rights and obligations (including the works) arising from Tender Bid number 67/2018 pertaining to the tender known as "Upgrading of Steynsburg internal roads from gravel to paving" ("the Tender") pending the outcome of an application to be brought by the applicant for the reviewing and setting aside of the award of the tender to fourth respondent. The municipality defended the case.	-	180,000
Iziqhamo Zethu JV Noble Money: The municipality was litigated by the aggrieved contractors (Joint Venture) that were not appointed for paving project in Steynsburg. The municipality and the appointed contractor were interdicted and restrained from performing any rights and obligations (including the works) arising from Tender Bid number 67/2018 pertaining to the tender known as "Upgrading of Steynsburg internal roads from gravel to paving" ("the Tender") pending the outcome of an application to be brought by the applicant for the reviewing and setting aside of the award of the tender to fourth respondent. The municipality defended the case.	-	180,000

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
43. Contingencies (continued)		
Roela -Groenewald: Plaintiffs summons and claiming 19 million plus interest plus cost: For alleged injuries after alleged fall on the sidewalk in Burgersdorp. Plea is finalized and filed at high court Grahamstown	1,900,000	1,900,000
Zuzani Ernest Masina: Matter was argued in court on the 3rd September 2020 and judgement was reserved. We are awaiting judgement at any time between now and the next three weeks according to what the judge informed us	350,000	350,000
Consolidated Retirement Fund for Local Government: Matter is still pending. It is a court action for recovery arrear pension contributions for years 2015 and 2016.	300,000	-
Inzalo Enterprise: Part A which was an urgent interdict was struck off the roll. Part B which is a review application is still pending	350,000	-
CCMA/SALGBC Cases: Various CCMA cases. SAMWU obo employees lodged an Unfair Labour Practice to the SALGBC - EC for the reversal of EPWP employees who were erroneously absorbed by council. They want to be reinstated retrospectively. i.e. 01 July 2018.	-	7,517,066
	151,080,000	158,572,066

44. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note

Members of key management

Refer to Employee Related Cost note 30

Related party transactions

Walter Sisulu Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity

45. Prior period errors

(1)The Municipality performed 100% physical verification during the year and identified the prior period errors in Cost and accumulated depreciation.

(2) The Municipality performed the review of the entire population of the payment vouchers during the year and noted that there were 66 accounts amounting to R5 4 87 175.33 not recognised in prior year 2020.

3) Municipality recognised depreciation for landfill site which was not accounted in prior year.

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

Statement of financial position

Property, plant and equipment (1)	-	(9,162,363)
Payables from Exchange (2)	-	(5,487,175)
Investment Property (1)	-	8,680,765
Opening Accumulated Surplus or Deficit	-	5,968,773

Statement of financial performance

Expenditure	-	1,285,113
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46. Prior-year adjustments

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

Statement of financial position

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020		
46. Prior-year adjustments (continued)				
2020				
	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment (1)		577,471,521	(9,162,363)	568,309,158
Payables from Exchange (2)		(349,955,338)	(5,487,175)	(355,442,513)
Investment Property (3)		146,783,601	8,680,765	155,464,366
		374,299,784	(5,968,773)	368,331,011

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		29,956,860	1,285,113	31,241,973

47. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of R 334,475,774 and that the municipality's total liabilities exceed its assets by R 334,475,774.

The 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.

48. Events after the reporting date

No post balance sheet events identified

49. Unauthorised expenditure

Opening balance as previously reported	374,814,374	298,056,651
Opening balance as restated	374,814,374	298,056,651
Add: Expenditure identified - current	116,305,926	76,757,723
Less: Approved/condoned/authorised by council	(360,239,652)	-
Closing balance	130,880,648	374,814,374

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis was performed and submitted to Council to write off. During the year council condoned R360 239 652 as recoverable and refer back R924 673 for further investigation.

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

Non-cash	60,553,032	-
Cash	50,007,511	-
	110,560,543	-

Analysed as follows: non-cash

Depreciation and amortisation	31,710,894	-
Provision of impairment	28,842,138	-
	60,553,032	-

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand 2021 2020

49. Unauthorised expenditure (continued)

Analysed as follows: cash

Bulk purchases	40,041,552	-
General expenditure	3,419,496	-
Employee related costs	(4,995,063)	-
Finance charges	11,541,526	-
	50,007,511	-

Unauthorised expenditure: Budget overspending – per municipal department:

Executive and Council	(601,613)	4,534,949
Office of the Municipal Manager	(3,375,219)	24,952
Budget and Treasury Office	54,162,119	14,583,617
Technical Services	40,684,483	42,261,691
Corporate Services	4,693,181	6,520,341
Community Services	16,766,143	8,832,170
Planning & Development	(1,768,551)	-
	110,560,543	76,757,720

Recoverability steps taken/criminal proceedings

The unauthorised expenditure is being investigated

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

Recoverability of unauthorised expenditure

During the year council condoned R360 239 652 as recoverable

50. Fruitless and wasteful expenditure

Opening balance as previously reported	107,358,265	84,122,363
Opening balance as restated	107,358,265	84,122,363
Add: Expenditure identified - current	240,932	23,235,902
Less: Amount written off - current	(107,358,265)	-
Closing balance	240,932	107,358,265

Council approved write off of Fruitless and wasteful expenditure of R107 358 265 and the amount of R2 039 800 was referred back for further investigation.

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand

2021

2020

50. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Late payment interest		240,932	23,235,902

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and Wasteful expenditure incurred

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand

2021

2020

50. Fruitless and wasteful expenditure (continued)

Amounts written-off

51. Irregular expenditure

Opening balance as previously reported	122,566,109	93,629,505
Opening balance as restated	122,566,109	93,629,505
Add: Irregular Expenditure - current	19,701,343	28,936,604
Less: Amount written off - current	(76,706,465)	-
Closing balance	65,560,987	122,566,109

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand

2021

2020

51. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited	34	2,909,600
Not registered on CSD	4	111,900
SCM Procedures not followed on i.e Insufficient quotes	14	5,701,796
No contract with the municipality	11	343,119
Deviation not valid	6	31,618
MBD4 Declaration not provided	580	8,028,844
MBD4 Declaration not signed	18	1,255,077
Variation order not approved	3	1,319,389
	670	19,701,343

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 76,706,465 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	8,201,801	7,000,746
Current year subscription / fee	-	1,201,055
	8,201,801	8,201,801

Walter Sisulu Local Municipality

Financial Statements for the year ended June 30, 2021

Notes to the Financial Statements

Figures in Rand	2021	2020
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	6,438,830	4,017,153
Current year subscription / fee	5,177,170	7,208,241
Credit Note	(304,668)	-
Amount paid - current year	(5,216,017)	(2,745,875)
Interest on Outstanding Audit Fees	302,990	496,154
Interest waived by Audit General	(334,034)	(64,622)
National Treasury Rebates Received	(2,162,856)	(2,472,221)
	3,901,415	6,438,830

PAYE and UIF

Opening balance	448,826	440,903
Current year subscription / fee	-	12,244,346
Amount paid - current year	-	(12,236,423)
	448,826	448,826

Pension and Medical Aid Deductions

Opening balance	20,528,980	16,662,643
Current year subscription / fee	-	18,006,474
Amount paid - current year	-	(14,140,137)
	20,528,980	20,528,980

VAT

VAT receivable	50,306,544	49,113,265
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2021:

June 30, 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr N Ngubo	-	359	359
Cllr Y Zweni	-	599	599
Cllr M Solani	-	419	419
Cllr L Nkunzi	-	250	250
Cllr DM Jam	2,592	59	2,651
Cllr MNE Jordaan	83,622	646	84,268
Cllr DF Hartkopf	-	2,335	2,335
Cllr DU Plessis	-	230	230
Cllr MW Mokhoabane	1,256	1,834	3,090
	87,470	6,731	94,201

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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

Supply chain management regulations

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

53. Deviation from supply chain management regulations

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

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

.Walter Sisulu LM have incurred expenditure by not following the Supply Chain Management policy during the year. The were no three quotes obtained as per the SCM policy for various services. These procurement resulted to Deviations shown below.

Deviation	2021	2020
Impractical to follow SCM process	974,080	891,333
Emergency	1,276,592	520,762
Single provider	713,550	673,414
	2,964,222	2,085,509

54. Segment information

General information

Identification of segments

For management purpose, the municipality is organised and reports in three key major functional segments. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and Environmental services and Trading which include Planning and development, Road transport, Environmental protection; Energy sources, Water management, Waste water management and Waste management;
- Governance and administration which includes Executive and council, Finance and administration and internal audit;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services.

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

Aggregated segments

Water Sisulu Local municipality operates more than 12 towns within Joe Gqabi District Municipality in Eastern Cape. The main towns in this municipality consist of Burgersdorp, Aliwal North, Dukathole, Jamestown, Khayamandi, Mzamomhle, Nozizwe, Oviston, Steynsburg, Tembisa and Venterstad. The municipality was formed by the merging of Maletswai and Gariiep Local Municipality immediately after the August 2016 Local Municipal Elections. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Walter Sisulu Local Municipality were sufficiently similar to warrant aggregation.

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54. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the services for each segment are set out below:

Reportable segment	Goods and/or services
Governance and administration	Responsible for Municipal Governance Oversight role, Human and financial management of the Municipality
Community and public safety	Library Services, Police force, Cemeteries, Environmental Protection, Recreational facilities, Social Services
Economic and environmental services and Trading services	Economic development of the Municipality, Provision and maintenance of water, Electricity, Sewer and refuse and infrastructure

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54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic environmental services and trading services	Governance and administration	Total
Revenue				
Revenue from non-exchange transactions	27,816,022	44,193	103,712,868	131,573,083
Revenue from exchange transactions	28,552,395	100,511,520	44,340,265	173,404,180
Total segment revenue	56,368,417	100,555,713	148,053,133	304,977,263
Entity's revenue				304,977,263
Expenditure				
Salaries and wages	47,910,204	20,122,883	43,488,158	111,521,245
Bulk purchases	-	115,926,552	-	115,926,552
Depreciation and amortisation	40,248,459	5,634,591	1,665,128	47,548,178
General Expenditure	9,590,427	10,483,120	87,898,977	107,972,524
Total segment expenditure	97,749,090	152,167,146	133,052,263	382,968,499
Total segmental surplus/(deficit)				(77,991,236)
Assets				
Segment assets	(14,003,778)	(23,809,999)	878,359,718	840,545,941
Total assets as per Statement of financial Position				840,545,941
Liabilities				
Segment liabilities	24,022,248	(17,605,553)	(512,078,746)	(505,662,051)
Total liabilities as per Statement of financial Position				(505,662,051)

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54. Segment information (continued)

2020

	Community and public safety	Economic and environmental services and Trading services	Governance and Administration	Total
Revenue				
Revenue from non-exchange transactions	53,618,328	5,315,935	64,281,950	123,216,213
Revenue from exchange transactions	26,245,330	109,630,614	13,837,324	149,713,268
Total segment revenue	79,863,658	114,946,549	78,119,274	272,929,481
Entity's revenue				272,929,481
Expenditure				
Salaries and wages	41,057,222	17,418,171	39,881,405	98,356,798
Other expenses	15,614,526	25,434,986	70,854,892	111,904,404
Bulk Purchases	-	99,777,932	-	99,777,932
Depreciation and Amortisation	18,546,987	5,301,519	7,393,469	31,241,975
Total segment expenditure	75,218,735	147,932,608	118,129,766	341,281,109
Total segmental surplus/(deficit)				(68,351,628)
Assets				
Segment assets	-	-	846,630,792	846,630,792
Total assets as per Statement of financial Position				846,630,792
Liabilities				
Segment liabilities	11,312,968	-	437,934,565	449,247,533
Total liabilities as per Statement of financial Position				449,247,533

Measurement of segment surplus or deficit, assets and liabilities

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54. Segment information (continued)

Basis of accounting for transactions between reportable segments

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