



Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2022

WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY
CHIEF FINANCIAL OFFICER
30 NOV 2022
PO BOX 12 BIZANA 4800, TEL: 039 251 0230
SIGNATURE 

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4800
30 NOV 2022
OFFICE OF THE MUNICIPAL MANAGER
TEL : 039 251 0230
FAX: 039 251 0917


Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

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

Mayoral committee

Mayor

T.D Mafumbatha

Speaker

Z. Mhlwazi/ S Magini

Chief Whip/Whip of Council

M.C Mpetshwa

Executive committee

N. Madikizela

L Makholosa

Y. Govana/Z Mhlwazi

N. Dlamini

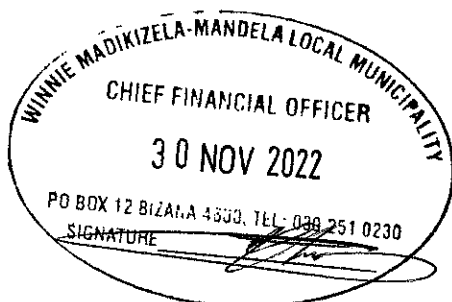
N.E. Cengimbo/R.T Nkomo-Khwela

P.B. Majavu/I.M Sabuka

S. Madikizela/A.M Speelman

L.G. Mcambalala/M.S Maphetshana

N.M. Njomi/L.T Somadlangathi



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4800

30 NOV 2022

OFFICE OF THE MUNICIPAL MANAGER

TEL : 039 251 0230

FAX: 039 251 0917

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

General Information

Councillors

B. Matshoba
N. Kwelemtini/N.Sikiti
E. Voko/R.N Madikizela
B. Luwele/P.N Mfingwana
F.N. Sobazile/J.M Valiko
V. Mbhekwa/N.E Cengimbo
N. Mgozozana/N.C Cengimbo
N. Sikibi/L.B Mbuzi
S.P. Madikizela/C.N Matyeni
Z.Mashiya
N. Madikizela/S.M Faku
R.F. Madikizela/Y.N. Mfana
S. Mphoswa/V. Sotubhu
M. Mbele/M. Mapholoba
F.N. Nyathi/M. Mpofana
N.P Mavundia
T.Z. Noconjo/M.Qumba
S.V. Mfolozi/M.J Dekede
L. Nomazele/M.M. Manyathela
M.S. Msindo/N.Bengu
N. Majova/S.A Maphasa
T. Dlamini/N.Dayimani
A. Maquthu/M.Tobo
X. Bhabhazela/M.R. Dlamini
X. Ntsethe/B.A Jalubane
S.M. Nomvalo/T. Faku
A.D. Diya/S.Ngonini
M.W. Dlamini/M.J. Ndesi
Z.H. Dyarvane/C.N.Mfingwana
M.C. Mbodiyi/S.P. Sobhoyi
N. Doko/N.Sipatala
S. Yalo/N.O. Yalo
M. Manci/N.Cwele
M. Ndovela
B. Qalaba
A.I Guqaza
S.W. Jayiya
F. Bewu
L.Maqoga
Z.P. Ndebele
S. Magini
N. Giyama-Bongwana
I.M. Sobuka
N. Madikizela
N.L. Xhalabile
K. Zinya
Z. Moya
L.V. Nomaqhiza
B.W. Mangqalaza
P. Siramza
L. Silangwe
N. Langasiki
Z.L. Makiva
P. Nophinga



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4800

30 NOV 2022
OFFICE OF THE MUNICIPAL MANAGER
TEL: 039 251 0230
FAX: 039 251 0917

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

General Information

Grading of local authority	Grade 04
Accounting Officer	L. Mahlaka
Chief Finance Officer (CFO)	ZA Zukulu
Registered office	51 Winnie Madikizela-Mandela Street Bizana 4800
Business address	51 Winnie Madikizela-Mandela Street Bizana 4800
Postal address	P.O. Box 12 Bizana 4800
Bankers	First National Bank
Attorneys	NZ Mtshabe Incorporated Attorneys Dr Sugudhav-Sewpersadh Attorneys Vuyani Gwebindlala & Associates Maglaba Incorporated Konyana Attorneys Incorporated Jolwana Mgidlana Incorporated
Auditors	Auditor General of South Africa Registered Auditors



Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Appropriation Statement	104 - 106
Accounting Policies	13 - 43
Notes to the Audited Annual Financial Statements	43 - 103
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	107
Appendix D: Segmental Statement of Financial Performance	113
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	114
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	115
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	116
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	117
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	119

Abbreviations:

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



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4800

30 NOV 2022

OFFICE OF THE MUNICIPAL MANAGER
TEL : 039 251 0230
FAX: 039 251 0917

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and are given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on the pages to follow in terms of s126(1) of the MFMA and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in notes 31 and 32 of these financial statements are within the upper limits of the framework envisioned in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Cooperative Governance & Traditional Affairs determination in accordance with this Act.

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

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

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable myself to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

I have reviewed the municipality's cash flow forecast for the year year to 30 June 2023 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on page s 6 to 103, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2022 and were signed on its behalf by:



Mr L. Mahlaka
Municipal Manager

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	7	449 850	2 046 473
Operating lease asset	8	11 662 045	7 613 477
Other Receivables from exchange transactions	9	2 373 190	9 421 134
Receivables from non-exchange transactions	10	1 727 859	1 243 139
Statutory receivables	11	37 726 703	35 387 402
VAT receivable	12	12 783 550	15 608 949
Prepayments	13	12 118 629	17 176 976
Receivables from exchange transactions	14	25 930 092	20 514 018
Cash and cash equivalents	15	277 108 823	258 162 213
		381 880 741	367 173 781
Non-Current Assets			
Investment property	3	39 090 183	36 654 783
Property, plant and equipment	4	766 068 656	699 573 136
Intangible assets	5	43 247	69 315
Heritage assets	6	1 260 799	1 230 799
		806 462 885	737 528 033
Total Assets		1 188 343 626	1 104 701 814
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	47 256 789	44 334 448
Consumer deposits	17	505 877	504 619
Unspent conditional grants and receipts	18	7 445 110	5 058 414
Provisions	19	20 307 659	20 685 823
		75 515 435	70 583 304
Non-Current Liabilities			
Provisions	19	22 483 946	5 246 062
Total Liabilities		97 999 381	75 829 366
Net Assets		1 090 344 245	1 028 872 448
Accumulated surplus		1 090 344 245	1 028 872 448
Total Net Assets		1 090 344 245	1 028 872 448

* See Note 59 & 58

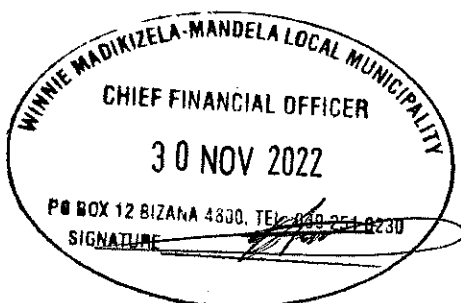


Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	42 138 922	40 257 499
Rental of facilities and equipment	23	7 510 508	5 876 088
Agency services	24	1 202 470	1 290 875
Commissions received	25	144 819	131 650
Recoveries	25	364 022	275 513
Other income	25	382 543	373 672
Interest received	26	15 474 310	11 879 203
Total revenue from exchange transactions		67 217 594	60 084 500
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	21 163 194	20 144 667
Licences and Permits (Non-exchange)	28	2 141 209	2 343 083
Transfer revenue			
Government grants & subsidies	29	375 834 380	415 425 820
Government donations	30	78 999	-
Fines, Penalties and Forfeits	31	386 474	688 199
Total revenue from non-exchange transactions		399 604 256	438 601 769
Total revenue	21	466 821 850	498 686 269
Expenditure			
Employee related costs	32	(116 655 429)	(110 721 661)
Remuneration of councillors	33	(24 782 223)	(23 964 375)
Depreciation and amortisation	34	(44 097 214)	(40 179 661)
Impairments	61	(8 555 816)	-
Finance costs	35	-	(1 473)
Lease rentals on operating lease	36	(3 643 567)	(5 145 360)
Debt Impairment	37	(821 631)	(5 208 182)
Bulk purchases	38	(40 211 160)	(35 021 699)
Contracted services	39	(57 071 486)	(32 951 257)
Transfers and Subsidies	40	(1 251 198)	(4 498 717)
General Expenses	41	(64 170 451)	(41 474 662)
Total expenditure		(361 260 175)	(299 167 047)
Operating Surplus (deficit)		105 561 675	199 519 222
Loss on disposal of assets and liabilities	42	(46 551 292)	(43 412 919)
Fair value adjustments	43	2 461 400	1 069 294
		(44 089 892)	(42 343 625)
Surplus for the year		61 471 783	157 175 597



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4800
30 NOV 2022
OFFICE OF THE MUNICIPAL MANAGER
TEL : 039 251 0230
FAX: 039-251-0917

* See Note 59 & 58

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	871 515 338	871 515 338
Adjustments		
Correction of errors 58	180 000	180 000
Prior year adjustments 59	1 513	1 513
Balance at 01 July 2020 as restated*	871 696 851	871 696 851
Surplus/(Deficit) for the year	157 175 597	157 175 597
Total changes	157 175 597	157 175 597
Opening balance as previously reported	1 028 872 462	1 028 872 462
Restated* Balance at 01 July 2021 as restated*	1 028 872 462	1 028 872 462
Surplus/(Deficit) for the year	61 471 783	61 471 783
Total changes	61 471 783	61 471 783
Balance at 30 June 2022	1 090 344 245	1 090 344 245

Note(s)

WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY
 CHIEF FINANCIAL OFFICER
 30 NOV 2022
 PO BOX 12 BIZANA 4800, TEL: 039 251 0230
 SIGNATURE 

WINNIE MADIKIZELA-MANDELA
 LOCAL MUNICIPALITY
 PO BOX 12 BIZANA 4800
 30 NOV 2022

 OFFICE OF THE MUNICIPAL MANAGER
 TEL : 039 251 0230
 FAX: 039 251 0917

* See Note 59 & 58

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		72 096 778	47 341 854
Grants		378 221 076	412 909 733
Interest income		15 474 310	11 879 203
		<u>465 792 164</u>	<u>472 130 790</u>
Payments			
Employee costs		(141 437 652)	(134 686 036)
Suppliers		(145 594 774)	(129 772 839)
Finance costs		-	(1 473)
		<u>(287 032 426)</u>	<u>(264 460 348)</u>
Net cash flows from operating activities	45	<u>178 759 738</u>	<u>207 670 442</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(159 792 150)	(123 428 047)
Proceeds from sale of property, plant and equipment	4	9 022	275 512
Purchase of heritage assets	6	(30 000)	-
Net cash flows from investing activities		<u>(159 813 128)</u>	<u>(123 152 535)</u>
Net increase/(decrease) in cash and cash equivalents		18 946 610	84 517 907
Cash and cash equivalents at the beginning of the year		258 162 213	173 644 306
Cash and cash equivalents at the end of the year	15	<u>277 108 823</u>	<u>258 162 213</u>

WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY
 CHIEF FINANCIAL OFFICER
 30 NOV 2022
 PO BOX 12 BIZANA 4330, TEL: 039 251 0230
 SIGNATURE 

WINNIE MADIKIZELA-MANDELA
 LOCAL MUNICIPALITY
 PO BOX 12 BIZANA 4800

30 NOV 2022

 OFFICE OF THE MUNICIPAL MANAGER
 TEL : 039 251 0230
 FAX: 039 251 0917

* See Note 59 & 58

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	43 474 003	5 716	43 479 719	42 138 922	(1 340 797)	
Rental of facilities and equipment	3 092 800	929 558	4 022 358	7 510 508	3 488 150	
Agency services	1 265 452	71 260	1 336 712	1 202 470	(134 242)	
Commissions received	130 464	-	130 464	144 819	14 355	
Recoveries	-	-	-	364 022	364 022	
Other income - (rollup)	1 335 076	(483 518)	851 558	382 543	(469 015)	
Interest received	15 179 343	-	15 179 343	15 474 310	294 967	
Total revenue from exchange transactions	64 477 138	523 016	65 000 154	67 217 594	2 217 440	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 171 349	(4 888 028)	21 283 321	21 163 194	(120 127)	
Licences and Permits (Non-exchange)	2 755 860	(877 214)	1 878 646	2 141 209	262 563	
Transfer revenue						
Government grants & subsidies	295 690 000	3 283 346	298 973 346	295 672 374	(3 300 972)	
Public contributions and donations	-	-	-	78 999	78 999	
Fines, Penalties and Forfeits	938 096	-	938 096	386 474	(551 622)	
Total revenue from non-exchange transactions	325 555 305	(2 481 896)	323 073 409	319 442 250	(3 631 159)	
Total revenue	390 032 443	(1 958 880)	388 073 563	386 659 844	(1 413 719)	
Expenditure						
Personnel	(126 853 784)	7 364 446	(119 489 338)	(116 655 429)	2 833 909	
Remuneration of councillors	(26 006 884)	-	(26 006 884)	(24 782 223)	1 224 661	
Depreciation and amortisation	(52 681 812)	-	(52 681 812)	(44 097 214)	8 584 598	
Impairment loss	-	(15 000 000)	(15 000 000)	(8 555 816)	6 444 184	
Finance costs	(150 000)	-	(150 000)	-	150 000	
Lease rentals on operating lease	(4 854 420)	-	(4 854 420)	(3 643 567)	1 210 853	
Debt Impairment	(9 600 000)	-	(9 600 000)	(821 631)	8 778 369	
Bulk purchases	(40 777 132)	-	(40 777 132)	(40 211 160)	565 972	
Contracted Services	(98 847 612)	62 918	(98 784 694)	(57 071 486)	41 713 208	
Transfers and Subsidies	(5 906 906)	(143 490)	(6 050 396)	(1 251 198)	4 799 198	
Loss on disposal of assets	-	(38 718 390)	(38 718 390)	(46 551 292)	(7 832 902)	
General Expenses	(67 850 818)	(5 961 183)	(73 812 001)	(64 170 451)	9 641 550	
Total expenditure	(433 529 368)	(52 395 699)	(485 925 067)	(407 811 467)	78 113 600	
Operating deficit	(43 496 925)	(54 354 579)	(97 851 504)	(21 151 623)	76 699 881	
Transfers recognised-capital contributions	99 295 500	(3 120 827)	96 174 673	80 162 006	(16 012 667)	
Fair value adjustments	-	-	-	2 461 400	2 461 400	
	99 295 500	(3 120 827)	96 174 673	82 623 406	(13 551 267)	
Surplus before taxation	55 798 575	(57 475 406)	(1 676 831)	61 471 783	63 148 614	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	55 798 575	(57 475 406)	(1 676 831)	61 471 783	63 148 614	
Reconciliation						

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 524 487	950 530	2 475 017	449 850	(2 025 167)	
Operating lease asset	-	-	-	11 662 045	11 662 045	
Other Receivables from exchange transactions	37 397 615	(5 153 972)	32 243 643	2 373 190	(29 870 453)	
Receivables from non-exchange transactions	46 512 383	(4 741 625)	41 770 758	1 727 859	(40 042 899)	
Statutory receivables	-	-	-	37 726 703	37 726 703	
VAT receivable	-	-	-	12 783 550	12 783 550	
Prepayments	-	-	-	12 118 629	12 118 629	
Receivables from exchange transactions	-	-	-	25 930 092	25 930 092	
Cash and cash equivalents	191 597 712	(360 463)	191 237 249	277 108 823	85 871 574	
	277 032 197	(9 305 530)	267 726 667	381 880 741	114 154 074	
Non-Current Assets						
Investment property	32 436 273	4 218 510	36 654 783	39 090 183	2 435 400	
Property, plant and equipment	755 509 008	35 877 047	791 386 055	766 068 656	(25 317 399)	
Intangible assets	73 048	(73 048)	-	43 247	43 247	
Heritage assets	1 340 799	(110 000)	1 230 799	1 260 799	30 000	
	789 359 128	39 912 509	829 271 637	806 462 885	(22 808 752)	
Total Assets	1 066 391 325	30 606 979	1 096 998 304	1 188 343 626	91 345 322	
Liabilities						
Current Liabilities						
Payables from exchange transactions	28 927 820	15 015 919	43 943 739	47 256 789	3 313 050	
Consumer deposits	502 891	1 731	504 622	505 877	1 255	
Unspent conditional grants and receipts	-	-	-	7 445 110	7 445 110	
Provisions	19 953 469	36 854	19 990 323	20 307 659	317 336	
	49 384 180	15 054 504	64 438 684	75 515 435	11 076 751	
Non-Current Liabilities						
Provisions	5 495 061	(248 999)	5 246 062	22 483 946	17 237 884	
Total Liabilities	54 879 241	14 805 505	69 684 746	97 999 381	28 314 635	
Net Assets	1 011 512 084	15 801 474	1 027 313 558	1 090 344 245	63 030 687	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 011 512 084	15 801 474	1 027 313 558	1 090 344 245	63 030 687	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	95 193 600	(359 914)	94 833 686	72 096 778	(22 736 908)	
Grants	394 985 504	162 518	395 148 022	378 221 076	(16 926 946)	
Interest income	10 046 591	-	10 046 591	15 474 310	5 427 719	
	500 225 695	(197 396)	500 028 299	465 792 164	(34 236 135)	
Payments						
Employee costs	(152 860 668)	7 364 446	(145 496 222)	(141 437 652)	4 058 570	
Suppliers	(217 777 553)	(3 310 671)	(221 088 224)	(145 594 774)	75 493 450	
Finance costs	(50 004)	-	(50 004)	-	50 004	
	(370 688 225)	4 053 775	(366 634 450)	(287 032 426)	79 602 024	
Net cash flows from operating activities	129 537 470	3 856 379	133 393 849	178 759 738	45 365 889	
Cash flows from investing activities						
Purchase of property, plant and equipment	(119 176 119)	(81 141 181)	(200 317 300)	(159 792 150)	40 525 150	
Proceeds from sale of property, plant and equipment	-	-	-	9 022	9 022	
Purchases of heritage assets	-	-	-	(30 000)	(30 000)	
Net cash flows from investing activities	(119 176 119)	(81 141 181)	(200 317 300)	(159 813 128)	40 504 172	
Net increase/(decrease) in cash and cash equivalents	10 361 351	(77 284 802)	(66 923 451)	18 946 610	85 870 061	
Cash and cash equivalents at the beginning of the year	181 236 365	76 924 335	258 160 700	258 162 213	1 513	
Cash and cash equivalents at the end of the year	191 597 716	(360 467)	191 237 249	277 108 823	85 871 574	
Reconciliation						

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management made estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less Allowance for doubtful debts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the value of estimated future cash flows discounted at the rate, determined by the Council policy.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of National Environment Management Act, the Water Act and the Waste Management series as promulgated by the Department of Water and Sanitation. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 19 and 47 of the financial statements. Provisions are discounted where the effect is material.

Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Undefined
Buildings	Straight line	5 - 100 years
Furniture and fixtures	Straight line	2 - 26 years
Motor vehicles	Straight line	3 - 14 years
Office equipment	Straight line	3 - 26 years
IT equipment	Straight line	3 - 17 years
Infrastructure	Straight line	
• Roads, bridges and pavements		5 - 100 years
• Electricity, reticulation and supply		9 - 60 years
• Waste disposal facilities		7 - 30 years
• Storm water		40 - 100 years
• Traffic lights		10 years
• Landfill sites		15 - 30 years
• Metering Infrastructure credit		25 years
Community	Straight line	
• Cemeteries		10 - 30 years
• Community halls		25 - 50 years
• Housing scheme houses		15 years
• Recreational facilities		10 - 50 years
Plant and Machinery	Straight line	2 - 15 years
Other property, plant and equipment	Straight line	5 - 21 years
Park Facilities	Straight line	10 - 50 years

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 10 years

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

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

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Transfers payables (non-exchange)	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost

Initial recognition

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories (where applicable):

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Inventories (continued)

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Employee benefits

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

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

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

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

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Leave pay

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

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.11 Employee benefits (continued)

Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year.

Annual Bonuses

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

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.12 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered a breach of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate the landfill site used for waste disposal. It is calculated as the Present Value of the future obligation, discounted over an average period as determined by valuers.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

Refuse removal

Revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income from agency fees

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Investment income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised, in surplus or deficit using the effective interest rate method.

Interest, royalties and dividends

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

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

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

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.15 Investment income

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

1.16 Borrowing costs

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

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

1.17 Comparative figures

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in note 58 'Prior Period Errors' to the financial statements.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.19 Fruitless and wasteful expenditure

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

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

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

1.20 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).

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Irregular expenditure (continued)

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

(a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);

Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of Winnie Madikizela-Mandela LM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or

excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was written-off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

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

1.21 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 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.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.23 Change in accounting policy, estimate and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 58 of the financial statements where applicable.

1.24 Budget information

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

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

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

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

The Statement of comparative and actual information has been included in the audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

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

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

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

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

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.26 Equity Instruments

Gains and losses arising from fair value adjustments on investments, loans and disposal of assets are presented separately from other revenue in the Statement of Financial Performance. Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a standard of GRAP.

1.27 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Events after reporting date (continued)

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

1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. Commitments are not recorded in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date
- where disclosure is required by a specific standard of GRAP

1.29 Prepayments

Prepayments are future payments made in advance for services or goods to be delivered in a future period that are recorded in the municipality's balance sheet as assets at year end. The municipality only limits prepayments to capital expenditure where the municipality is still contracted with the service providers for acquisition or construction of municipal assets. Prepayments are made as part of the municipality's attempt to assist small business to speed up delivery and where materials are required to complete works from distributors that normally require payment upfront to supply the materials required. Examples of these include electricity meters from Eskom, building material, concrete materials and other types of materials that contractors do not necessarily produce. Prepayments are made either at the request of the contractors or at the recommendation of the municipality as an attempt to speed up delivery as indicated earlier, these requests may either be in writing or verbal during project management engagements. The municipality only makes prepayments only where the amount will not result in the whole contract value being paid, this means that the municipality may still have mechanisms to recover the amount in terms of future work delivered. Sometimes prepayments are made to lock the prices for the goods that may change when the goods are required and guarantee the availability of these resources when required.

Recognition

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

Disclosure

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

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

Derecognition

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

1.30 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the audited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.30 Heritage assets (continued)

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.30 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.31 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using prime+1.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.31 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The 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.

1.32 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

Useful life is either:

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.33 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.33 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.34 Contingent assets and contingent liabilities

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

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
---------------------------	--	------------------

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none">• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Not expected to impact results but may result in additional disclosure

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

2.	New standards and interpretations (continued)		
	• GRAP 25 (as revised): Employee Benefits	01 April 2009	Not expected to impact results but may result in additional disclosure
	• IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2009	Not expected to impact results but may result in additional disclosure

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2022		2021			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	39 090 183	-	39 090 183	36 654 783	-	36 654 783

Reconciliation of investment property - 2022

Investment property	Opening balance	Fair value adjustments	Total
	36 654 783	2 435 400	39 090 183

Reconciliation of investment property - 2021

Investment property	Opening balance	Transfers	Fair value adjustments	Total
	32 436 272	3 149 217	1 069 294	36 654 783

Pledged as security

There are no Investment Properties pledged as security.

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Thursday, 30 June 2022. Revaluations were performed by an independent valuer, PJ Lindstrom a Professional Valuer - Reg.No 935/7.of Penny Lindstrom Valuations. PJ Lindstrom is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on discounted cash flows.

For investment property, totalling R 39 269 230 (2021: R 36 654 783), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate

Amounts recognised in surplus and deficit for the year year.

Maintenance of investment property

There were no maintenance cost incurred by the municipality on investment Property .

Amounts recognised in surplus or deficit

Rental revenue from Investment property	7 466 221	5 854 605
---	-----------	-----------

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022		2021		Carrying value	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation		Accumulated depreciation and accumulated impairment
Land	3 148 628	-	3 148 628	3 148 629	3 148 629	
Buildings	29 461 646	(6 337 119)	23 124 527	29 423 808	(5 667 908)	23 755 900
Plant and machinery	24 881 652	(15 403 143)	9 478 509	25 270 153	(12 740 607)	12 529 546
Furniture and fixtures	26 286 731	(19 879 588)	6 407 143	24 754 092	(15 796 626)	8 957 466
Motor vehicles	12 850 691	(6 600 807)	6 249 884	16 444 499	(6 311 162)	10 133 337
Infrastructure	669 593 013	(265 337 144)	394 255 869	637 832 276	(247 818 922)	390 013 354
Community	127 008 101	(24 455 300)	102 552 801	100 927 562	(17 172 512)	83 755 070
Landfill site	3 242 860	(1 296 455)	1 946 405	3 242 860	(1 129 194)	2 113 666
Work in progress	218 904 890	-	218 904 890	165 166 168	-	165 166 168
Total	1 105 378 212	(339 309 556)	766 068 656	1 006 210 067	(306 636 931)	699 573 136

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	3 148 629	-	(2)	-	-	1	-	3 148 628
Buildings	23 755 900	-	(20 128)	-	63 000	(674 245)	-	23 124 527
Plant and machinery	12 529 546	119 400	(276 652)	-	-	(2 893 785)	-	9 478 509
Furniture and fixtures	8 957 466	1 838 653	(15 901)	78 999	-	(4 452 074)	-	6 407 143
Motor vehicles	10 133 337	-	(1 696 740)	-	-	(2 186 713)	-	6 249 884
Infrastructure	390 013 354	47 689 604	(15 117 118)	-	6 600 736	(30 815 654)	(4 115 053)	394 255 869
Community	83 755 070	13 130 028	(139 656)	-	13 129 537	(2 881 415)	(4 440 763)	102 552 801
Landfill site	2 113 666	-	-	-	-	(167 261)	-	1 946 405
Work in progress	165 166 168	102 414 244	(28 882 249)	-	(19 793 273)	-	-	218 904 890
Total	699 573 136	165 191 929	(46 148 446)	78 999	-	(44 071 146)	(8 555 816)	766 068 656

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	3 552 990	-	(4 361)	(400 000)	-	-	3 148 629
Buildings	26 854 332	735 627	(511 192)	(2 749 217)	(722 237)	148 587	23 755 900
Plant and machinery	13 399 083	1 986 587	-	-	(2 856 124)	-	12 529 546
Furniture and fixtures	6 923 942	5 030 215	(13 809)	-	(2 982 882)	-	8 957 466
Motor vehicles	9 616 724	1 974 009	(5 620)	-	(1 451 776)	-	10 133 337
Infrastructure	385 171 270	39 319 685	(6 149 551)	1 134 273	(29 498 758)	36 435	390 013 354
Community	79 505 368	2 617 716	-	4 003 433	(2 371 447)	-	83 755 070
Landfill site	2 280 927	-	-	-	(167 261)	-	2 113 666
Work in progress	118 940 569	87 831 218	(36 467 913)	(5 137 706)	-	-	165 166 168
	646 245 205	139 495 057	(43 152 446)	(3 149 217)	(40 050 485)	185 022	699 573 136

Pledged as security

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

Depreciation rates

Land	Undefined
Buildings	5 - 100 years
Plant and machinery	2 - 15 years
Furniture and fixtures	2 - 26 years
Motor vehicles	3 - 14 years
Office equipment	3 - 26 years
IT equipment	3 - 17 years
Infrastructure	5 - 100 years
Community	10 - 50 years
Other property, plant and equipment	5 - 21 years
Park facilities	10 - 50 years
Landfill site	15-30

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

4. Property, plant and equipment (continued)

Capitalised expenditure (excluding borrowing costs)

Buildings	-	735 627
Plant and machinery	119 400	1 986 587
Furniture and fixtures	1 838 653	5 030 215
Motor vehicles	-	1 974 009
Infrastructure	47 689 604	39 319 684
Community	13 130 028	2 617 716
Work in progress	102 414 244	87 831 218
	165 191 929	139 495 056

Compensation received for losses on property, plant and equipment

Motor vehicles	-	267 112
IT equipment	9 022	8 400
	9 022	275 512

Property, plant and equipment in the process of being constructed or developed

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

Other PPE	4 809 316	4 275 789
Infrastructure	64 045 928	60 885 921
Community	150 049 646	100 004 458
	218 904 890	165 166 168

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

Community Assets	58 470 995	38 893 905
Bizana Sport field was previously delayed due to lack of funding, however the municipality have agreed to fund the construction as multi year project that is scheduled to be completed in 2023		
Road Infrastructure	6 343 328	6 343 328
Sidanga Access Road delayed due to the fine municipality received from DEDEA for working without.		
Electricity Projects	8 945 333	8 945 333
8 MVA Backbone line that has been delayed by approvals required from Eskom that took longer than expected.		
	73 759 656	54 182 566

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	60 885 921	100 004 458	4 275 789	165 166 168
Additions/capital expenditure	38 642 992	63 174 724	596 527	102 414 243
Disposal (Transfer to ESKOM)	(28 882 249)	-	-	(28 882 249)
Transferred to completed items	(6 600 736)	(13 129 536)	(63 000)	(19 793 272)
	64 045 928	150 049 646	4 809 316	218 904 890

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	52 978 513	63 594 909	2 367 148	118 940 570
Additions/capital expenditure	45 509 594	40 412 982	1 908 641	87 831 217
Disposals(Transfer to ESKOM)	(36 467 913)	-	-	(36 467 913)
Transferred to completed items	(1 134 273)	(4 003 433)	-	(5 137 706)
	60 885 921	100 004 458	4 275 789	165 166 168

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

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

Employee related costs	5 143 301	4 851 796
Contracted services	14 000 684	5 848 962
General expenses	983 249	808 945
	20 127 234	11 509 703

Funding of property, plant and equipment acquisitions

	Funding type		
Additions to property, plant and equipment was funded from the following sources:			
Plant and Machinery			
Internally generated funds	Own revenue	119 400	1 986 587
Infrastructure Assets			
Municipal Infrastructure Grant	Government Grant	20 609 587	10 146 630
Internally generated funds	Own revenue	27 080 017	29 569 758
Community Assets			
Internally generated funds	Own revenue	6 962 495	2 221 012
Municipal Infrastructure Grant	Government Grant	6 167 533	-
Furniture and fixtures			
Internally generated funds	Own revenue	1 838 653	4 643 115
Library Grant	Government Grant	-	200 000
Financial Management Grant	Government Grant	-	187 100
Transport Assets			
Internally generated funds	Own revenue	-	1 974 009
Work in progress			
Municipal Infrastructure Grant	Government grant	21 507 015	23 923 114
Integrated National Electrification Grant	Government Grant	15 591 909	30 936 626
Internally generated funds	Own revenue	64 718 794	32 971 477
General Budget Support Grant(GBS)	Government grant	596 527	-
Buildings			
Internally generated funds	Own revenue	-	735 627
		165 191 930	139 495 057

Change in the opening balance of the PPE

Aggregate adjustment to the carrying amounts previously reported	-	611 913
--	---	---------

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

	2022		2021	
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation
Computer software, other	2 230 573	(2 187 326)	43 247	2 230 573
				Accumulated amortisation and impairment
				Carrying value
				69 315

Reconciliation of intangible assets - 2022

Computer software, other

Opening balance	69 315	Amortisation	(26 068)	Total	43 247
-----------------	--------	--------------	----------	-------	--------

Reconciliation of intangible assets - 2021

Computer software, other

Opening balance	198 490	Amortisation	(129 175)	Total	69 315
-----------------	---------	--------------	-----------	-------	--------

Pledged as security

There are no intangible assets pledged as security:

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

6. Heritage assets

	2022		2021			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	30 000	-	30 000	-	-	-
Historical monuments	1 230 799	-	1 230 799	1 230 799	-	1 230 799
Total	1 260 799	-	1 260 799	1 230 799	-	1 230 799

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits
Historical monuments

	Opening balance	Additions	Total
	-	30 000	30 000
	1 230 799	-	1 230 799
	1 230 799	30 000	1 260 799

Reconciliation of heritage assets 2021

Historical monuments

	Opening balance	Total
	1 230 799	1 230 799

Restrictions on heritage assets

There are no restrictions on heritage assets:

Pledged as security

There are no heritage assets pledged as security.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
7. Inventories		
Inventories	449 850	2 339 682
Inventories (write-downs)	-	(293 209)
	449 850	2 046 473

Inventory pledged as security

There is no Inventory pledged as security.

8. Operating lease asset

Current assets	11 662 045	7 613 477
----------------	------------	-----------

Certain of the municipality's property is held to generate rental income. Lease agreements are renewable and have varying terms of between 6-26 years. There are no contingent rentals receivables. The operating lease asset arose as result of straight lining the lease rentals per requirement of GRAP 13.

9. Other receivables from exchange transactions

Trade debtors	2 014 706	9 072 815
Consumer debtors - Electricity	358 484	348 319
	2 373 190	9 421 134

Other receivables from exchange transactions

Trade Debtors	2 014 706	9 072 815
Consumer debtors - Land Sales	210 030	210 030
Allowance for doubtful debts consumer debtors - Land sales	(210 030)	(210 030)
Consumer debtors - Electricity	956 457	956 457
Allowance for doubtful debts consumer debtors - Electricity	(597 973)	(608 138)
	2 373 190	9 421 134

Total other receivables from exchange transactions

2 373 190 9 421 134

The municipality has no debtors that are pledged as security.

Fair value of other receivables from exchange transactions

Other receivables from exchange transactions	2 373 190	9 421 134
--	-----------	-----------

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. There were no trade and other receivables less than 3 months past due and not considered to be impaired at 30 June 2022 and 30 June 2021.

Other receivables from exchange transactions impaired

As of 30 June 2022, other receivables from exchange transactions of R 1 166 487 (2021: R 1 166 487) were impaired and provided for.

The amount of the Allowance for doubtful debts was R 808 003 as of 30 June 2022 (2021: R 818 168).

The ageing of these amounts is as follows:

Over 6 months	1 166 487	1 166 487
---------------	-----------	-----------

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
10. Receivables from non-exchange transactions		
Overpayment of Contractor	418 046	418 046
Irregular expenditure	535 000	180 000
Staff debts	28 280	-
Payroll debtors	182 839	280 558
Overpayment - Councillors remuneration	563 694	364 535
	1 727 859	1 243 139

Receivables from non-exchange transactions pledged as security

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

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	1 727 859	1 243 139
--	-----------	-----------

The net balance of receivables from non-exchange transactions approximate the fair value of these receivables.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
11. Statutory receivables		
The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition and subsequent measurement:		
Fines	1 502 694	7 638 307
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(1 063 893)	(6 840 300)
This is impairment based on past experience and assessment of the category of debtors terms of the policy on debt impairment		
Property Rates	42 102 614	39 932 266
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(4 814 712)	(5 342 871)
This is impairment based on past experience and assessment of the individual debtors performance in terms of the policy on debt impairment		
	37 726 703	35 387 402
Current assets	37 726 703	35 387 402

Statutory receivables general information

Transaction(s) arising from statute

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

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

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

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

Determination of transaction amount

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

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

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

Both the Tariff and rates policy of the municipality are reviewed annually in compliance with the Act. During this review tariffs are also revised to ensure accuracy and correctness.

The general valuation in terms of the Act is valid for five years but is also reviewed annually through a supplementary valuation.

Calculations of Traffic fines

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

Calculations of Electricity fines

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

11. Statutory receivables (continued)

Interest or other charges levied/charged

Interest accrues after due date as indicated in the account statement which is 30 days, if the account remains unpaid at a rate of prime +1.

Basis used to assess and test whether a statutory receivable is impaired

The impairment is based on the impairment type risk scoring and payment risk scoring determined as follows:

Allocating a SCORE based on the account's ageing, account status, account type and whether it's an owner or occupier – 2 being the max score on each

If the account is inactive the status score gets a 2 and if the account is active (which means the possibility of retrieving the debt is better than the inactive account) it gets a zero score 0.

If the account is an occupier it gets a high score of 2 and if it's an owner its gets a zero because when the owner wants to sell he needs a clearance certificate and you will be able to retrieve the debt.

The last score is based on your Active Account Type Category – Government and Provincial accounts get a zero score because the municipality should be able settle the government accounts debt. Business score is 0.4 and household score is 1.25. In-Active account type the score is 2.

Allocate a score depending on whether the account has outstanding balances in 30days, 60days, 90days, 120days etc. and the older the debt the higher the score. Refer to the payment risk table below

The Total Type Risk = Status Risk Score + Account Type Risk Score + Owner/Occupier Type Risk Score

Total Payment Risk = the payment risk scoring added together

The Allowance factor is then the two risks multiplied together to get the numeric factor, the factor is then converted into a percentage which is applied to the outstanding balance. Any converted percentage from 100% and above is impaired fully (100%).

Statutory receivables past due but not impaired

Statutory receivables which are less than 1 month (Property rates and electricity fines) and Traffic fines which are less than 12 months past due are not considered to be impaired. At 30 June 2022, R905 581 (2021: R1 377 996) were past due but not impaired.

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

1 month past due	593 581	854 396
2 months past due	32 200	62 000
3 months past due	279 800	461 600

Factors the entity considered in assessing statutory receivables past due but not impaired

Property rates that bare past due but not impaired are Governments and Provincial accounts that the municipality should be able to settle

Fines that are past due but not impaired are fines that were raised within 12 months of the financial year, and are outside the bracket of the traffic fines Impairment policy.

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R43 605 308 (2021: R46 367 816) were impaired and provided for.

The amount of the Allowance for doubtful debts was R5 878 605 as of 30 June 2022 (2021: R12 183 171).

The ageing of these receivables is as follows:

1 to 6 months	3 408 280	2 592 215
Over 6 months	39 334 503	43 775 601

Factors the entity considered in assessing statutory receivables impaired

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

11. Statutory receivables (continued)

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

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use a combination of key indicators that will provide a list of debtors that are most likely to be impairment.

Debtors are evaluated at each reporting date and impaired as per the impairment of debtors and write-off policy in line with National Treasury guidelines.

Reconciliation of allowance for doubtful debts for statutory receivables

Opening balance	12 183 171	9 124 575
Allowance for doubtful debts	246 904	3 058 596
Amounts written off as uncollectible	(6 551 470)	-
	<u>5 878 605</u>	<u>12 183 171</u>

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

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

12. VAT receivable

VAT	<u>12 783 550</u>	<u>15 608 949</u>
-----	-------------------	-------------------

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

13. Prepayments

Prepayments		
Prepayments	12 118 629	17 176 976

Prepaid expenses are those expense that are paid for in one accounting period, but for which the underlying services or goods will be received in a future period.

During the year under review the municipality paid for services and goods that will be received or rendered in the following accounting period.

These were the supplier's requirements as they require payment before services or goods can be rendered or delivered. The suppliers are:

Suppliers		
Belgotex Floor Covering	6 157 483	10 423 983
ESKOM Holdings for electricity projects	3 582 228	4 542 054
Membership Fees	-	8 136
SAGE VIP	175 115	-
Zamadunga Business Enterprise	2 202 803	2 202 803
Institute of Local Government	1 000	-
	12 118 629	17 176 976

ESKOM Holdings prepayments is for Electricity Project that will be constructed. The municipality pays 5% to ESKOM after appointing the service provider for a particular project. This 5% is paid for the meter and documentation that ESKOM provide to the municipality.

Belgotex Floor Covering prepayment is for the material that is needed for the Mphuthumi Mafumbatha Stadium, that is currently being constructed.

Zamadunga Business Enterprise for work to be performed by SMMEs subcontracted to the contract for the construction of Bizana Civic Centre as part of the 30% government initiative to capacitate small businesses of which work was not yet completed on the 30th June 2021 and subsequently the 30th June 2022.

Investigations revealed that the amount was paid in response to a plea by the appointed contractor to assist the SMMEs that were struggling to pay for materials required to complete the project and therefore delaying progress. The municipality's appointed team of professionals then advised the municipality pays the amount to the main contractor who would then procure the material required to ensure it is of the required quality and therefore pay the subcontractors when work is completed.

Institute of Local government for the membership fee of 2023.

SAGE VIP for the annual licence fee from March 2022 to Feb 2023.

Membership fees paid to Institute of Internal Auditors for the 2021-2022 subscription.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
14. Receivables from exchange transactions		
Gross balances		
Receivables-service charges	43 832 460	37 831 732
Less: Allowance for doubtful debts		
Allowance for doubtful debts	(17 902 368)	(17 317 714)
Net balance		
Receivables-service charges	25 930 092	20 514 018
Gross Services Charges		
Current (0- 30 days)	6 075 341	3 414 233
31 - 60 days	2 201 665	2 216 512
61 -90 days	2 074 988	2 006 496
91 -120 days	1 958 032	1 968 185
121 - 365 days	10 388 477	11 003 464
> 365 days	21 133 957	17 222 842
	43 832 460	37 831 732
Gross balance	43 832 460	37 831 732
Service charges		
Current (0 -30 days)	6 075 341	3 414 233
31 - 60 days	1 278 074	618 239
61 - 90 days	1 145 755	1 243 267
91 - 120 days	1 141 590	1 007 613
121 - 365 days	6 035 768	7 765 439
> 365 days	10 253 564	6 465 227
	25 930 092	20 514 018
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	404 911	196 144
31 - 60 days	193 274	196 289
61 - 90 days	176 773	143 068
91 - 120 days	150 330	121 966
121 - 365 days	1 000 252	1 104 177
> 365 days	6 889 295	6 171 682
	8 814 835	7 933 326
Less: Allowance for doubtful debts	(6 277 162)	(6 105 947)
	2 537 673	1 827 379
Industrial/ commercial		
Current (0 -30 days)	4 185 889	2 505 884
31 - 60 days	1 329 807	1 401 883
61 - 90 days	1 261 882	1 323 646
91 - 120 days	1 257 197	1 283 889
121 - 365 days	4 869 425	6 962 745
> 365 days	9 198 097	9 020 031
	22 102 297	22 498 078
Less: Allowance for doubtful debts	(11 625 204)	(11 962 233)
	10 477 093	10 535 845
National and provincial government		
Current (0 -30 days)	1 484 540	712 205
31 - 60 days	678 585	618 340
61 - 90 days	636 333	539 782
91 - 120 days	550 503	562 330

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
14. Receivables from exchange transactions (continued)		
121-365 days	4 518 801	2 936 542
> 365 days	5 046 564	2 031 129
	12 915 326	7 400 328
Total		
Current (0 -30 days)	6 075 341	3 414 233
31 - 60 days	2 201 665	2 216 513
61 - 90 days	2 074 988	2 006 496
91 - 120 days	1 958 030	1 968 185
121 - 365 days	10 388 477	11 003 464
> 365 days	21 133 957	17 222 841
	43 832 458	37 831 732
Less: Allowance for doubtful debts	(17 902 366)	(17 317 714)
	25 930 092	20 514 018
Less: Allowance for doubtful debts		
Current (0 -30 days)	-	-
31 - 60 days	(923 591)	(1 598 274)
61 - 90 days	(929 233)	(763 229)
91 - 120 days	(816 440)	(960 572)
121 - 365 days	(4 352 472)	(3 238 025)
> 365 days	(10 880 632)	(10 757 614)
	(17 902 368)	(17 317 714)
Reconciliation of allowance for doubtful debts		
Balance at beginning of the year	(17 317 714)	(15 148 477)
Contributions to allowance	(584 654)	(2 169 237)
	(17 902 368)	(17 317 714)

Consumer debtors pledged as security

There were no consumer debtors were pledged as security in the 2021/22 financial year.

Credit quality of consumer debtors

In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the allowance for doubtful debts is determined according to the past payment patterns of each consumers within the various categories. The calculation of the allowance for doubtful debts is automated in the system which is configured according to the national treasury scoring method.

Fair value of receivables- service charges

Consumer debtors	25 930 092	20 514 018
------------------	------------	------------

The value of receivables from service charges is determined by taking the gross amount less the allowance for impairment.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

	2022	2021
--	------	------

14. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 3 569 276 (2021: R 9 714 655) were past due but not impaired.

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

1 month past due	2 254 358	2 886 875
2 months past due	678 585	586 317
3 months past due	636 333	6 241 463

Consumer debtors impaired

As of 30 June 2022, consumer debtors of R 22 357 996 (2021: R 28 117 078) were impaired and allowed for.

The amount of the allowance for doubtful debts was R 17 902 368 as of 30 June 2022 (2021: R 17 317 714).

The ageing of these receivables are as follows:

3 to 6 months	4 138 901	3 679 522
Over 6 months	18 219 095	24 437 556

Reconciliation of allowance for doubtful debts of consumer debtor

Opening balance	(17 317 714)	(15 148 477)
Allowance for doubtful debts	(584 654)	(2 169 237)
	<u>(17 902 368)</u>	<u>(17 317 714)</u>

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	4
Bank balances	2 951 488	9 353 191
Short-term deposits	274 157 331	248 809 018
	<u>277 108 823</u>	<u>258 162 213</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	30 June 2021	30 June 2020	June 30, 2022	30 June 2021	30 June 2020
FNB BANK - Public Sector-Cheque account -51704922107	2 940 039	9 323 582	3 165 219	2 951 487	9 353 192	3 610 199
FNB BANK - Business Call Account-62550717767	-	-	1 824 680	-	-	1 824 680
FNB BANK - Business Call Account - 62550715828	-	-	47 506	-	-	47 506
FNB BANK - Business Call Account - 62459758078	-	1 163	4 574 859	-	1 164	4 574 860
FNB BANK - Business Call Account - 62852108531	206	67 458	8 035	-	67 459	6 526
FNB BANK - Business Call Account - 62816773073	19	2 387	615 270	19	2 387	21 807
FNB BANK - Business Call Account - 62816769220	357 312	393 618	776 294	357 312	393 618	776 295
FNB BANK - Business Call Account - 62028477992	267 495 116	244 068 379	162 781 702	267 495 116	244 068 379	162 781 703
FNB BANK - Business Call Account - 62896110170	6 304 880	4 276 010	-	6 304 880	4 276 010	-
Total	<u>277 097 572</u>	<u>258 132 597</u>	<u>173 793 565</u>	<u>277 108 814</u>	<u>258 162 209</u>	<u>173 643 576</u>

16. Payables from exchange transactions

Trade payables	9 994 503	4 027 695
Payments received in advanced Retention	1 471 445	1 720 437
Accrued expense	22 888 724	18 308 721
Workmen's compensation	10 788 560	18 458 831
Unallocated receipts	233 834	411 783
Payroll creditors	1 629 070	1 220 429
	250 653	186 552
	<u>47 256 789</u>	<u>44 334 448</u>

The average payment period for services is 30 days from the receipt of the invoice as required by the MFMA

Interest charged and penalties charged for late payments have been disclosed separately

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Workmen's compensation: In terms of COID Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid. The municipality thus raises a liability for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.

Fair value of payables from exchange transactions

Trade payables	47 256 789	44 334 448
----------------	------------	------------

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
17. Consumer deposits		
Electricity	132 596	132 596
Hall Hire	373 281	372 023
	505 877	504 619

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

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

Consumer deposits collected do not accrue any interest

The carrying value of consumer deposits approximates their fair value.

18. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by National Treasury and the spending condition is met.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DSRAC: Library Grant	1 048 203	692 013
EPWP Grant	4	4
GIS Grant - Alfred Nzo	100 000	100 000
General Budget Support Grant	6 285 217	4 254 711
Waste Management Grant	11 686	11 686
	7 445 110	5 058 414

Movement during the year

Balance at the beginning of the year	5 058 414	7 574 501
Additions during the year	92 855 764	81 077 764
Income recognition	(86 214 381)	(83 004 748)
Surrendered to National Revenue fund during the year	(4 254 687)	(589 103)
	7 445 110	5 058 414

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

19. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Closing Balance
Environmental rehabilitation	7 627 683	24 785 204	-	(7 627 683)	24 785 204
Provision for long service bonuses	461 614	610 802	(212 503)	(249 111)	610 802
Bonus provision	2 058 138	2 352 551	(2 058 138)	-	2 352 551
Staff leave provision	15 784 450	15 043 049	(1 065 009)	(14 719 442)	15 043 048
	25 931 885	42 791 606	(3 335 650)	(22 596 236)	42 791 605

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Closing Balance
Environmental rehabilitation	7 767 397	7 627 683	(1 053 422)	(6 713 975)	7 627 683
Provision for long service bonuses	799 960	461 614	(357 323)	(442 637)	461 614
Bonus provision	2 095 540	2 058 138	(2 095 540)	-	2 058 138
Staff leave provision	14 785 631	15 784 450	(1 643 167)	(13 142 464)	15 784 450
	25 448 528	25 931 885	(5 149 452)	(20 299 076)	25 931 885

Non-current liabilities		22 483 946	5 246 062
Current liabilities		20 307 659	20 685 823
		42 791 605	25 931 885

Environmental rehabilitation provision

The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEAT) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

The provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30 June 2022 taking into account price escalation of 6% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Sihle Pot Trading) and a liability has been raised. Movements in the provision are recognised in the Statement of Financial Performance. The Provision has been determined on the basis of a recent independent financial requirement and viability.

Bonus provision

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

Staff leave provision

The municipality offers employees 2 days for every month completed and is therefore liable to pay employee the amount equivalent to the leave days not taken at year end upon resignation or retirement. This is calculated based on the cost to the company rate per day.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
20. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	28 303 282	28 303 282
Receivables from non-exchange transactions	1 727 859	1 727 859
Cash and cash equivalents	277 108 822	277 108 822
	307 139 963	307 139 963
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	47 256 789	47 256 789
Unspent conditional grants and receipts	7 445 110	7 445 110
Consumer deposits	505 877	505 877
	55 207 776	55 207 776
2021		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	29 935 152	29 935 152
Receivables from non-exchange transactions	1 243 139	1 243 139
Cash and cash equivalents	258 162 213	258 162 213
	289 340 504	289 340 504
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	44 334 448	44 334 448
Unspent conditional grants	5 058 414	5 058 414
Consumer deposit	504 619	504 619
	49 897 481	49 897 481
Financial instruments in Statement of financial performance		
2022		
	At amortised cost	Total
Interest income for financial instruments at amortised cost	3 773 232	3 773 232
2021		
	At amortised cost	Total
Interest income for financial instruments at amortised cost	8 508 367	8 508 367

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
21. Revenue		
Service charges	42 138 922	40 257 499
Rental of facilities and equipment	7 510 508	5 876 088
Agency services	1 202 470	1 290 875
Licences and Permits (Non-exchange)	2 141 209	2 343 083
Commissions received	144 819	131 650
Recoveries	364 022	275 513
Other income - (rollup)	382 543	373 672
Interest received	15 474 310	11 879 203
Property rates	21 163 194	20 144 667
Government grants & subsidies	375 834 380	415 425 820
Public contributions and donations	78 999	-
Fines, Penalties and Forfeits	386 474	688 199
	466 821 850	498 686 269
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	42 138 922	40 257 499
Rental of facilities and equipment	7 510 508	5 876 088
Agency services	1 202 470	1 290 875
Commissions received	144 819	131 650
Recoveries	364 022	275 513
Other income - (rollup)	382 543	373 672
Interest received	15 474 310	11 879 203
	67 217 594	60 084 500
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 163 194	20 144 667
Licences or permits	2 141 209	2 343 083
Transfer revenue		
Government grants & subsidies	375 834 380	415 425 820
Public contributions and donations	78 999	-
Fines, Penalties and Forfeits	386 474	688 199
	399 604 256	438 601 769
22. Service charges		
Sale of electricity	37 936 997	35 679 150
Solid waste	4 201 925	4 578 349
	42 138 922	40 257 499
23. Rental of facilities and equipment		
Facilities and equipment		
Leasehold fees	7 466 221	5 854 605
Hall hire	44 287	21 483
	7 510 508	5 876 088

Included in the above rentals are operating lease rentals at straight-lined amounts of R 4 048 568 (2021: R 3 159 808) .

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

23. Rental of facilities and equipment (continued)

Minimum lease payments receivables

-within one year	896 046	836 491
-in second to fifth year inclusive	4 298 168	2 710 350
-over five years	5 164 544	6 046 170
	10 358 758	9 593 011

The municipality is leasing out certain property to Collins Property Investment (Browns Cash and Carry). The lease agreement has a term of 10 years and rentals escalate by CPI every anniversary. No contingent rents are receivable

Minimum lease payments receivables

-within one year	688 831	637 806
-in second to fifth year inclusive	3 352 265	2 236 221
-over five years	23 543 180	25 348 056
	27 584 276	28 222 083

The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 20 years and rentals escalates by 8% every anniversary. No contingent rents are receivable

Minimum lease payments receivable

-within one year	178 609	165 379
-in second to fifth year inclusive	30 140	208 749
	208 749	374 128

The municipality is leasing out certain property to Africa Best 350. The lease agreement has a term of 06 years and rentals escalates by 8% every anniversary. No contingent rents are receivable.

Minimum lease payments receivables

-within one year	2 256 529	2 108 906
-in second to fifth year inclusive	10 720 181	7 254 516
-over five years	94 349 712	97 451 395
	107 326 422	106 814 817

The municipality is leasing out certain property to Slip Knot Investment 11 (Proprietary) Limited (Enyuka Prop Holding Limited). The lease agreement has a term of 26 years and rentals escalates by 7% each anniversary date. No contingent rents are receivable

24. Agency services

Driver's Licenses	1 202 470	1 290 875
-------------------	-----------	-----------

25. Other income

Commissions received	144 819	131 650
Losses recovered	9 022	275 513
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	355 000	-
Other income - (rollup)	382 543	373 672
	891 384	780 835

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

Tender fees	-	13 391
Sundry income	143 482	43 501
Building plans	86 823	77 399
Advertising	24 249	79 153
Funeral fees	4 424	11 641
Impairment Reversal	123 565	148 587
	382 543	373 672

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
26. Interest received		
Interest revenue		
Bank	10 783 545	7 603 705
Interest charged on trade and other receivables	4 690 765	4 275 498
	15 474 310	11 879 203
Interest charged on Trade and other receivables		
Exchange transaction	3 773 232	3 370 836
Non- exchange transactions(Statutory)	917 533	904 662
	4 690 765	4 275 498
27. Property rates		
Rates income		
Rates levied	21 163 194	20 144 667
Valuations		
Residential	211 456 500	211 456 500
Commercial	830 740 500	830 740 500
State	1 182 448 500	1 182 448 500
Municipal	91 341 000	91 341 000
	2 315 986 500	2 315 986 500
<p>Valuations on land and buildings are performed every 5 years by an independent valuer (currently being Sizanane Consulting). The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>A general rate of R0.0138 (business), R0.0069 (Residential), R0.0125 (State) is applied to property valuations to determine assessment rates. Rebates of R55 000 are granted to residential and state property owners.</p> <p>Rates are levied on an annual basis with the final date for payment being Thursday, 30 September 2021 for annual payment . Interest at prime plus 1% per annum (2021: 1%) is levied on rates outstanding 30 days after due.</p> <p>The municipality revaluated municipal properties that have lease agreement, for the purpose of renewing lease agreement.</p>		
28. Licences and permits (non-exchange)		
Trading	-	1 820
Road and Transport	2 141 209	2 341 263
	2 141 209	2 343 083
29. Government grants & subsidies		
Operating grants		
Equitable share	289 620 000	332 421 102
MIG Operational	2 551 150	2 272 950
Financial Management Grant	2 000 000	2 000 000
Expanded Public Works Programme Grant	3 570 000	2 388 996
LGSET / Skills Development Grant	338 564	273 023
Dept Sport & Culture - Library	143 810	510 520
DEDEAT- Alien Plant Vegetation	-	401 829
Disaster Relief Grant	-	5 474
	298 223 524	340 273 894
Capital grants		
Municipal Infrastructure Grant	48 471 850	43 186 050
Integrated National Electrification Programme	28 453 000	31 965 876
General Budget Support Grant	686 006	-

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
29. Government grants & subsidies (continued)		
	77 610 856	75 151 926
	375 834 380	415 425 820
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	92 855 764	81 077 734
Unconditional grants received	289 620 000	332 422 000
	382 475 764	413 499 734
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 4 994 210 (2021: R 4 583 674), which is funded from the grant.		
Equitable Share		
Current-year receipts	289 620 000	332 422 000
Transferred to revenue	(289 620 000)	(332 422 000)
	-	-
DSRAC Library Grant		
Balance unspent at beginning of year	692 013	702 533
Current-year receipts	500 004	500 000
Conditions met - transferred to revenue	(143 814)	(510 520)
	1 048 203	692 013
The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed on the statement of financial position in unspent condition grant (see note 18).		
LGSETA / Skills Development Grant		
Current-year receipts	338 564	273 023
Conditions met - transferred to revenue	(338 564)	(273 023)
	-	-
The municipality fully met the spending conditions and the whole allocation was transferred to revenue.		
EPWP Grant		
Balance unspent at beginning of year	4	-
Current-year receipts	3 570 000	2 389 000
Conditions met - transferred to revenue	(3 570 000)	(2 388 996)
	4	4
The municipality fully met the spending conditions and the whole allocation was then transferred to revenue.		
Integrated National Electrification Grant		
Balance unspent at beginning of year	-	5 763 876
Current-year receipts	28 453 000	26 202 000
Conditions met - transferred to revenue	(28 453 000)	(31 965 876)
	-	-
The municipality fully met the spending conditions and the whole allocation was then transferred to revenue.		

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

	2022	2021
--	------	------

29. Government grants & subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	-	47 506
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(2 000 000)	(2 000 000)
Surrendered to the National Revenue Fund	-	(47 506)
	<u>-</u>	<u>-</u>

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

GIS Grant - Alfred Nzo

Balance unspent at beginning of year	100 000	100 000
--------------------------------------	---------	---------

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	541 598
Current-year receipts	51 023 000	45 459 000
Conditions met - transferred to revenue	(51 023 000)	(45 459 000)
Surrendered to the National Revenue Fund	-	(541 598)
	<u>-</u>	<u>-</u>

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

General Budget Support Grant

Balance unspent at beginning of year	4 254 711	-
Current-year receipts	6 971 200	4 254 711
Conditions met - transferred to revenue	(686 007)	-
Surrendered to the National Revenue Fund	(4 254 687)	-
	<u>6 285 217</u>	<u>4 254 711</u>

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

Disaster Relief Grant

Balance unspent at beginning of year	-	5 474
Conditions met - transferred to revenue	-	(5 474)
	<u>-</u>	<u>-</u>

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

Waste Management Grant

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

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

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (B3 of 2021), an average increase of about 6% in the level of government grant funding are expected over the forthcoming 3 financial years.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

30. Government Donation

Donations

SALGA Donation

78 999

-

The municipality received Virtual meetings equipment from SALGA to be used in the municipality with the market value of R78 999.

31. Fines, Penalties and Forfeits

Illegal connections fines

20 250

35 491

Vending and hawking fines

1 800

-

Pound Fees Fines

24 524

14 408

Municipal traffic fines

339 900

638 300

386 474

688 199

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
32. Employee related costs		
Basic	76 022 357	71 686 201
Bonus	5 700 117	5 275 074
Medical aid - company contributions	5 317 118	4 929 059
UIF	542 206	476 430
SDL	1 137 455	899 230
Provision for leave	323 607	2 641 984
Cellphone allowance	739 317	728 636
Pension fund contribution	9 789 795	8 492 847
Bargaining council contribution	29 163	27 513
Overtime payments	1 714 813	1 299 704
Long-service awards	361 692	18 978
Car allowance	8 563 646	8 050 251
Housing benefits and allowances	3 829 466	3 761 423
Other allowances	1 489 258	1 431 113
Standby and Uniform Allowance	1 095 419	1 003 218
	116 655 429	110 721 661
Remuneration of Municipal Manager		
Annual Remuneration	1 022 631	977 653
Car Allowance	388 854	370 338
Other	142 113	135 135
	1 553 598	1 483 126
Remuneration of Chief Finance Officer		
Annual Remuneration	760 731	724 745
Car Allowance	301 328	286 979
Other	209 368	199 187
	1 271 427	1 210 911
Remuneration of Senior Manager: Corporate Services		
Annual Remuneration	863 278	827 515
Car Allowance	216 270	205 971
Other	188 517	179 328
	1 268 065	1 212 814
Remuneration of Senior Manager: Community Services		
Annual Remuneration	829 252	826 087
Car Allowance	199 079	205 971
Other	173 701	179 328
	1 202 032	1 211 386
Remuneration of Senior Manager: Engineering Services		
Annual Remuneration	821 275	786 146
Car Allowance	254 285	242 177
Other	192 839	181 633
	1 268 399	1 209 956
Remuneration of Senior Manager: Planning and Development		
Annual Remuneration	875 046	825 612
Car Allowance	216 270	205 971
Other	188 517	179 327
	1 279 833	1 210 910

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
33. Remuneration of councillors		
Cellphone Allowance	2 581 297	2 732 450
Public Office Allowance	1 110 046	1 063 624
Car Allowance	5 513 482	5 318 106
Annual remuneration	15 577 398	14 850 195
	24 782 223	23 964 375
34. Depreciation and amortisation		
Property, plant and equipment	44 071 146	40 050 485
Intangible assets	26 068	129 176
	44 097 214	40 179 661
35. Finance costs		
Other interest paid	-	1 473
36. Lease rentals on operating lease		
Equipment		
Contractual amounts	3 643 567	5 145 360
Operating lease payments represents rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.		
37. Debt impairment		
Movement-allowance for doubtful debts	821 631	5 208 182
Bad debts written off	-	-
	821 631	5 208 182

During the month of March 2020 a state of national disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The state of national disaster was then lifted in April 2022. The state of the economy in the country had been impacted negatively and therefore affected the people's affordability to pay for municipal levies and services as they were unable to earn an income.

This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in a increase in the allowance for doubtful debts for the period as indicated above.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand			2022	2021
38. Bulk purchases				
Electricity - Eskom			40 211 160	35 021 699
Electricity losses				
	Number 2022	Number 2021		
Units purchased	22 001 357	22 910 690	40 211 160	35 021 699
Units sold	(19 995 580)	(20 774 379)	(38 609 839)	(34 221 010)
Total loss	2 005 777	2 136 311	1 601 321	800 689
Comprising of:				
Non-technical losses	2 005 777	2 136 311	3 822 670	2 994 413
Percentage Loss:				
Non-technical losses	9 %	9 %	9 %	9 %

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
39. Contracted services		
Other Contracted Services		
Other Contractors	471 976	371 729
Outsourced Services		
Business and Advisory	4 700 922	3 872 707
Catering Services	15 300	-
Cleaning Services	18 488	-
Internal Auditors	508 511	773 728
Meter Management	1 546 826	286 579
Medical Services [Medical Health Services & Support]	-	251 500
Personnel and Labour	2 638 010	2 637 929
Refuse Removal	1 456 800	1 852 390
Transport Services	334 495	20 600
Consultants and Professional Services		
Business and Advisory	1 258 558	720 456
Legal Cost	7 479 072	6 679 078
Contractors		
Catering Services	3 400 354	2 324 948
Electrical	11 040 022	699 828
Event Promoters	288 894	494 370
Maintenance of Buildings and Facilities	3 487 752	3 904 732
Maintenance of Equipment	397 727	662 940
Maintenance of Unspecified Assets	10 115 206	884 586
Pest Control and Fumigation	-	196 139
Safeguard and Security	7 834 973	6 296 918
Stage and Sound Crew	77 600	20 100
	57 071 486	32 951 257
40. Transfer and subsidies		
Other subsidies		
SMME Support	1 251 198	4 498 717

The municipality through its LED section supports qualifying small businesses and farmers with necessary equipment and tools to make their operations sustainable. The projects are selected through council processes and supported as per the required assistance which is only in the forms of tools and equipment.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
41. General expenses		
Advertising	474 352	645 460
Auditors remuneration	3 228 513	2 722 939
Bank charges	138 424	111 520
Commission paid	682 830	762 227
Consumables	5 007 773	4 245 408
Promotional material and Gifts	1 361 769	2 017 376
Hire	3 722 375	1 700 608
Insurance	2 302 399	855 822
IT expenses	1 159 401	2 246 294
Magazines, books and periodicals	711 845	1 150 950
Motor vehicle expenses	5 200	37 600
Fuel and oil	2 678 629	2 400 436
Pfacement fees	-	15 400
Postage and courier	3 295	554
Printing and stationery	464 871	503 054
Protective clothing	852 975	2 112 020
Subscriptions and membership fees	58 109	35 136
Telephone and fax	2 980 884	2 348 235
Training	520 963	846 554
Travel - local	7 866 954	2 585 671
Travel - overseas	-	5 793
Free basic services	4 994 211	4 876 883
License fees	318 256	142 763
Ward committee fees	4 977 905	6 210 409
Other expenses	1 703 263	1 981 842
Landfill site rehabilitation	17 955 255	913 708
	64 170 451	41 474 662
42. Loss on disposal of assets		
Gain or loss on disposal of assets and liabilities	(46 551 292)	(43 412 919)
43. Fair value adjustments		
Investment property (Fair value model)	2 461 400	1 069 294
44. Auditors' remuneration		
Fees	3 228 513	2 722 939

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
45. Cash generated from operations		
Surplus	61 471 783	157 175 597
Adjustments for:		
Depreciation and amortisation	44 097 214	40 179 661
Gain or loss on sale of assets and liabilities	46 551 292	43 412 919
Fair value adjustments	(2 461 400)	(1 069 294)
Impairment deficit	8 555 816	-
Debt impairment	821 631	5 208 182
Movements in operating lease assets and accruals	(4 048 568)	(3 175 532)
Movements in provisions	16 859 720	483 357
Other non-cash movement	(464 853)	(539 505)
Movement in retention and accruals on PPE	(5 399 779)	(16 067 007)
Changes in working capital:		
Inventories	1 596 623	(3 982)
Other Receivables from exchange transactions	7 047 944	(3 440 406)
Consumer debtors	(6 237 705)	(8 847 117)
Receivables from non-exchange transactions	(484 720)	(370 051)
Statutory receivables	(2 339 301)	(5 520 499)
Prepayments	5 058 347	(3 694 073)
Payables from exchange transactions	2 922 341	14 103 934
VAT	2 825 399	(7 651 383)
Unspent conditional grants and receipts	2 386 696	(2 516 087)
Consumer deposits	1 258	1 728
	178 759 738	207 670 442

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	9 950 640	4 296 993
• Integrated Electrification	1 891 591	6 992 641
• Community Assets	7 032 997	37 061 462
• Other Assets	1 379 822	6 006 047
	20 255 050	54 357 143
Total capital commitments		
Already contracted for but not provided for	20 255 050	54 357 143
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational expenditure	36 667 624	10 857 636
Total operational commitments		
Already contracted for but not provided for	36 667 624	10 857 636
Total commitments		
Total commitments		
Authorised capital expenditure	20 255 050	54 357 143
Authorised operational expenditure	36 667 624	10 857 636
	56 922 674	65 214 779

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

Operating leases - as lessee (expense)

Genbiz Minimum Lease payments due		
- within one year	-	260 704
- in second to fifth year inclusive	-	260 704
	-	521 408
Munsoft Minimum Lease payments due		
-within one year	-	3 012 000
Techseeds Minimum Lease payments due		
-within one year	1 352 222	1 352 221
- in second to fifth year inclusive	2 704 447	4 056 669
	4 056 669	5 408 890

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

47. Contingencies

At year end the municipality had the following contingent liabilities.

Cases against the municipality.

Case 1 Vuyokazi Tobo vs Winnie Madikizela-Mandela Local Municipality		
Claim for payments of R2 500 000 iro damages for injuries allegedly caused as a result of being shot by an employee.	1 500 000	1 500 000
Case 2 Hlongwe vs Winnie Madikizela-Mandela Local Municipality		
Claim for payment of R19 637 500 iro damages for injuries allegedly caused as a result of being shot by a municipal employee.	19 637 500	19 637 500
Mohamed Randareen vs Winnie Madikizela-Mandela Local Municipality		
Claim of electricity costs after meter tampering and /or incorrect billing	148 000	-
	21 285 500	21 137 500

Winnie Madikizela Mandela Local Municipality vs Public Protector

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

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

The Public Protector has not file its Replying Affidavit.

Contingent assets

At year end the municipality had the following contingent assets

Cases lodged by the municipality:

Case 1 Gift Fynn VS Winnie Madikizela-Mandela Local Municipality		
This is an unlawful extension building without municipapl approval plans	-	400 000
Case 2 Winnie Madikizela-Mandela Local Municipality vs Mr Charles Charalombos t/a Bizana Cash and Carry		
Unlawful extension of building without the approved of the plans	-	200 000
Winnie Madikizela-Mandela LM vs ATS Civils and Another		
	-	600 000

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

48. Related parties

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

Related party balances

Loan accounts - Owing (to) by related parties		
Councillor overpayment	563 694	364 535

In 2012/13 and 2013/14 financial years, councillors were paid a remuneration that was above the gazetted limits

The amounts were recorded as irregular expenditure and debtors were raised to account for the amounts owed.

Compensation to Accounting Officer and key management

Municipal Manager	1 553 598	1 483 126
Chief Financial Officer	1 271 427	1 210 911
Senior Manager: Corporate Services	1 268 065	1 212 814
Senior Manager: Community Services	1 202 032	1 211 386
Senior Manager: Engineering Services	1 268 399	1 209 956
Senior Manager: Development Planning	1 279 833	1 210 910
Mayor	924 747	939 396
Speaker	756 308	760 393
Councillors	23 101 169	22 264 586

The Mayor, Speaker and Whip of Council are full time. Each is provided with an office and secretarial support at the cost of the council.

The Mayor and Speaker have the use of council owned vehicles for official duties.

The Mayor has one full-time bodyguard and driver.

The Speaker has one full-time bodyguard and driver

Key management information

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties (continued)

Remuneration of management

Management class: Councillors

2022

	Basic salary: July - Nov	Travel/ Car allowance: July- Nov	Cellphone Allowance: July- Nov	Public Office: July- Nov	Basic salary: Dec- June	Travel/ Car allowance: Dec- June	Cellphone Allowance: Dec- June	Public Office: Dec- June	Total
Councillors									
Mayor	221 980	79 279	14 053	15 856	396 783	141 708	26 747	28 341	924 747
Speaker	177 586	63 423	14 053	12 685	323 270	115 454	26 747	23 090	756 308
Whip of Council	166 561	59 486	14 053	11 897	300 693	107 390	26 747	21 478	708 305
MPAC Chairperson	161 603	57 715	14 053	11 543	289 030	104 320	26 747	20 864	685 875
Executive Committee members	1 032 834	370 628	112 427	74 126	2 093 432	744 801	225 393	148 960	4 802 601
Councillors	3 519 609	1 257 003	704 270	251 401	6 894 018	2 412 275	1 376 007	489 804	16 904 387
	5 280 173	1 887 534	872 909	377 508	10 297 226	3 625 948	1 708 388	732 537	24 782 223

2021

	Basic salary	Travel/Car Allowance	Cellphone Allowance	Public Office	Total
Councillors					
Mayor	625 981	224 179	44 400	44 836	939 396
Speaker	500 782	179 343	44 400	35 868	760 393
Whip of Council	469 486	168 134	44 400	33 627	715 647
MPAC Chairperson	455 713	163 202	44 400	32 643	695 958
Executive Committee members	3 165 684	1 133 728	395 900	226 744	4 922 056
Councillors	9 362 546	3 449 522	2 158 950	689 907	15 930 925
	14 580 192	5 318 108	2 732 450	1 063 625	23 964 375

Change of political leadership

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

48. Related parties (continued)

Management class: Executive management

2022

	Basic salary	Travel/Car Allowance	Other Benefits	Total
Senior Management				
Municipal Manager	1 022 631	388 854	142 113	1 553 598
Chief Financial Officer	760 731	301 328	209 368	1 271 427
Senior Manager: Engineering Services	821 275	254 285	192 839	1 268 399
Senior Manager: Corporate Services	863 278	216 270	188 517	1 268 065
Senior Manager: Community Services	829 252	199 079	173 701	1 202 032
Senior Manager: Development Planning	875 046	216 270	188 517	1 279 833
	5 172 213	1 576 086	1 095 055	7 843 354

2021

	Basic salary	Travel/Car Allowance	Other Benefits	Total
Senior Management				
Municipal Manager	977 653	370 338	135 135	1 483 126
Chief Financial Officer	724 745	286 979	199 187	1 210 911
Senior Manager: Engineering Services	786 146	242 177	181 633	1 209 956
Senior Manager: Corporate Services	827 515	205 971	179 328	1 212 814
Senior Manager: Community Services	826 087	205 971	179 328	1 211 386
Senior Manager: Development Planning	825 612	205 971	179 327	1 210 910
	4 967 758	1 517 407	1 053 938	7 539 103

Management class: Key advisors/Sub committees

2022

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

2021

	Fees for services as a member of management	Travel Claims	Total
Internal Audit Committee			
Chairperson of the audit committee	71 065	2 070	73 135
Audit committee members	78 180	-	78 180
	149 245	2 070	151 315

49. Change in estimate

Property, plant and equipment

The full useful lives of certain Property, Plant and Equipment and their residual values were revised in the current year pertaining to intangibles, movable and immovable assets with reductions and extensions to useful lives ranging between 2-13 years and residual values ranging between 7% to 28% of assets costs, with the exception of generators. The overall effect of this revision has been an increase in depreciation charges for the current and prior year of R840 930.87 (2021 R 654 922) respectively and an increase in future depreciation charges of R841 660.

This has resulted in a decrease in current year's carrying amounts of certain property, plant and equipment by R840 930.87 and a future increase in carrying amounts of certain property, plant and equipment of R841 660.13.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

50. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	47 256 789	-	-	-
Consumer Deposits	2 986	173 671	25 269	303 951
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	44 334 448	-	-	-
Consumer Deposits	1 728	173 671	25 269	303 951

Liquidity risk is mainly concentrated on the trade and other payables balance. The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risk.

Credit risk

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

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

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

Financial instrument	2022	2021
Cash and Cash equivalents	277 108 823	258 162 213
Other receivables from exchange transactions	2 373 190	9 421 134
Receivables from non-exchange transactions	1 727 859	1 243 139
Receivables from exchange transactions	25 930 092	20 514 019

Market risk

Interest rate risk

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

51. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 1 090 344 245 and that the municipality's total assets exceed its liabilities by R 1 090 344 245.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

51. Going concern (continued)

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of other factors. The most significant of these is that the accounting officer continue to source and explore more funding for the ongoing operations for the municipality

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
52. Fruitless and wasteful expenditure		
Opening balance as previously reported	376 912	4 320 803
Add: Fruitless and wasteful expenditure identified - current	-	1 473
Add: Prior period correction	-	355 000
Less: Amount written off - current	(21 912)	(4 300 364)
Closing balance	355 000	376 912

During the year it was discovered that a service provider who was appointed to deliver equipment in support of fisheries delivered the equipment in June 2021 and payment was processed accordingly but subsequent to that the municipality was informed that the supplier had repossessed the equipment claiming that no payment was received.

The municipality followed that up and requested the bidder to rectify the situation failing which the money be refunded to the municipality. The bidder agreed to pay back the money but to-date no payment has been made. This expenditure has then been reclassified as a Fruitless and wasteful expenditure in the year in which it was incurred resulting in a prior year correction, however a corresponding debtor has been raised in the books of the municipality.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

52. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	2022	2021
Interest on Eskom FBE account	-	1 196
Payment for goods not delivered	-	355 000
Interest on overdue account - Department of Transport	-	277
Disciplinary steps taken/criminal proceedings		
Amounts under investigation	-	1 196
Amounts under investigation	-	355 000
Amounts under investigation	-	277
	-	356 473

Amount written-off

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

53. Irregular expenditure

Opening balance as previously reported	-	1 857 620
Add: Irregular expenditure - current	15 795	1 590 000
Less: Amount written off - current	-	(3 447 620)
Closing balance	15 795	-

Winnie Madikizela-Mandela Local Municipality
 Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

53. Irregular expenditure (continued)

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

Non compliance with upper limits for councillors	15 795	-
Non compliance with tax matters	-	1 590 000
Disciplinary steps taken/criminal proceedings	15 795	1 590 000
S Magini	-	-
MAT Trading	-	-
	15 795	1 590 000

Amount written-off

No irregular expenditure was written off during the current financial year.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	191	191
Current year subscription / fee	661 553	667 362
Amount paid - current year	(661 553)	(667 362)
	191	191
Audit fees		
Current year subscription / fee	3 228 513	2 722 939
Amount paid - current year	(3 228 513)	(2 722 939)
	-	-
PAYE and UIF		
Opening balance	2 994	2 994
Current year subscription / fee	20 350 567	17 970 479
Amount paid - current year	(20 350 567)	(17 970 479)
	2 994	2 994
Pension and Medical Aid Deductions		
Opening balance	(43 308)	(43 308)
Current year subscription / fee	23 759 343	11 640 627
Amount paid - current year	(23 759 343)	(11 640 627)
	(43 308)	(43 308)
Skills Development Levy		
Opening balance	(90)	(90)
Current year subscription/fee	1 232 867	884 848
Amount paid - current year	(1 232 867)	(884 848)
	(90)	(90)
VAT		
VAT receivable	12 783 550	15 608 949

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

55. Deviation from supply chain management regulations

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

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

Winnie Madikizela-Mandela LM have incurred expenditure by not following the Supply Chain Management policy during the year. There were no three quotes obtained as per the SCM policy for supply of groceries for mass funeral, hiring of crane truck and car repairs. These procurements resulted to Deviations totalling to R64 399.04.

Supply Chain Management Regulations

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

Emergency Procurement

Supply and delivery of Groceries for Mass Funeral	5 580	-
Hiring of Crane Truck	15 000	-
Staff car repair damaged during community unrest	43 819	-
Reviewal of Dumping Site Financial Projections	-	199 850
Hiring of Crane Truck for emergency replacement of damaged transformer	-	2 990
Emergency Maintenance of Municipal Toilets	-	29 200
Emergency VIP Catering for Safety Awareness Campaign	-	12 000
Emergency VIP Catering for Safety Awareness Campaign	-	15 000
Catering of 150 people for community Safety Awareness Campaign	-	12 750
Hiring of Tent, Podium, Decor and Tables for Safety Awareness Campaign	-	29 950
Catering of 100 people for Community Safety Awareness Campaign	-	8 500
Catering of 150 people for Community Safety Awareness Campaign	-	12 750
Still Water for 500 people for Traffic Awareness	-	12 000
	64 399	334 990

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

56. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The Municipality has been registered as a registering authority in accordance with section 3(1) of the Road Traffic Act, 1996 (Act No. 93 of 1996), subject to the conditions imposed by the Member of the Executive Council (MEC) responsible for Transport. As such the Municipality performs the functions of a registering authority as contemplated by section 3(1) of the Road Traffic Act, read with the National Road Traffic Regulation

The revenue that is derived from the registration and licensing of motor vehicles is paid into the Provincial Revenue Fund as required by section 41 of the Eastern Cape Road Traffic Act, 1998 (Act No.3 of 1999), while the Municipality, in order to perform its functions as a registering authority, and in the spirit of co-operative governance as enshrined in Chapter 3 of the Constitution, is entitled to receive a portion of the revenue generated, subject to the terms and conditions as set out in the Agreement, with particular reference to clause 6 of the Agreement.

Municipality is entitled to a fee equal to the collection fee of 19% (nineteen percent), including VAT for all fees collected in terms of clause 6.2 for motor vehicle registration and licensing fees.

Municipality shall, in terms of applicable national and provincial road traffic legislation and the Agreement, be responsible for the following motor vehicle registration and licensing functions: registration of vehicles, vehicle search, issue of duplicate registration certificate, deregistration of a motor vehicle, change of particulars of an owner or a titleholder with respect to registration and licensing, change of particulars of a motor vehicle, issue of a temporary or special permit; licensing of a vehicle in a private person's or legally recognised entity's name; licensing of a financed vehicle, in a private person's or legally recognised entity's name; licensing and allocating of a personalised licence number; retention of a vehicle licence number; notification of change of titleholder and or ownership of a vehicle; processing address changes as required; application for refund, if due, to be issued by the Department of Transport, Head office in King William's Town Eastern Cape Province; application for special classification of a vehicle; application for Traffic Register Number; application for Motor Trade Number; referral of all motor vehicle registration and licensing queries, complaints and disputes to the Departmental employee specified by the Transport Regulation contact person within 2 (two) working days of a query or lodging of a complaint or dispute; and any other transaction reasonably requested by the Department.

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

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

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has resources held on behalf of the principal(s) that are not recognised in municipality's financial statements, but are recognised in the principal financial statements

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 202 570 (2021: R1 290 875).

Liabilities and corresponding rights of reimbursement recognised as assets

The municipality does not have liabilities incurred on behalf of the principal that have been recognised by the municipality.

The municipality does not have corresponding rights of reimbursement that have been recognised as assets.

Additional information

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

Entity as principal

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

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

Fee paid

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

56. Accounting by principals and agents (continued)

Fee paid as compensation to the agent	682 830	762 227
---------------------------------------	---------	---------

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

57. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of five functional areas: Electricity, Waste Management, Community and Public Safety, Infrastructure Services and Development Planning. The segments were organised around the type of service delivered. Council uses these same segments for determining strategic objectives. All administrative segments have been aggregated as unallocated services.

Information reported about these segments is used by council as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Mbizana area with certain functions providing an administrative and support role. Segments were aggregated on the basis of the services delivered as management considered that the characteristics of the segments were sufficiently similar to warrant aggregation. These have been aggregated to form the unallocated services.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

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

Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated services	Total
Revenue							
Revenue from non-exchange transactions	28 473 250	3 570 000	51 023 000	2 649 443	21 851 000	292 037 641	399 604 334
Revenue from exchange transactions	37 957 696	4 201 925	-	1 310 643	150 144	7 999 311	51 619 719
Other Income	-	-	-	-	-	123 487	123 487
Interest revenue	-	-	-	-	-	15 474 310	15 474 310
Fair value adjustment	-	-	-	-	-	2 461 400	2 461 400
Total segment revenue	66 430 946	7 771 925	51 023 000	3 960 086	22 001 144	318 096 149	469 283 250
Entity's revenue							469 283 250
Expenditure							
Employee cost	4 469 384	15 903 050	10 855 688	23 224 629	10 395 790	51 816 888	116 655 429
Remuneration of councillors	-	-	-	-	-	24 782 223	24 782 223
Other expenses	6 170 252	20 709 807	9 762 438	4 655 683	2 651 641	34 959 806	78 909 627
Bulk Purchases-Electricity	40 211 160	-	-	-	-	-	40 211 160
Depreciation and amortisation	637 916	-	29 634 945	6 065 194	2 810 578	4 948 583	44 097 216
Contracted Services	14 869 789	2 745 297	8 661 913	12 270 405	1 149 793	16 907 310	56 604 507
Loss on disposal	30 468 839	-	15 117 118	-	-	965 335	46 551 292
Total segment expenditure	96 817 340	39 358 154	74 032 102	46 215 911	17 007 802	134 380 145	407 811 454
Total segmental surplus/(deficit)							61 471 796
Assets							
Current Assets	139 097 720	129 456	258 909 921	20 544 580	140 797	(36 941 733)	381 880 741
Non current Assets	27 321 808	7 663 729	233 379 413	8 503 109	2 043 870	527 560 956	806 462 885
Total segment assets	166 419 528	7 783 185	492 289 334	29 047 689	2 184 667	490 619 223	1 188 343 626
Total assets as per Statement of financial Position							1 188 343 626

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Liabilities	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated services	Total
Current Liabilities	284 713 178	1 740 937	715 381 815	71 478 703	10 516 484	(1 008 315 682)	75 515 435
Non-current Liabilities	-	-	-	-	-	22 483 945	22 483 945
Total segment liabilities	284 713 178	1 740 937	715 381 815	71 478 703	10 516 484	(985 831 737)	97 999 380
Total liabilities as per Statement of financial Position							97 999 380

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

2021

Revenue	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Services	Total
Revenue from non-exchange transactions	32 001 367	2 790 825	45 459 000	3 504 491	19 155 579	336 154 868	439 066 130
Revenue from exchange transactions	35 707 426	4 578 349	13 391	1 324 000	111 338	6 595 230	48 329 734
Interest revenue	-	-	-	-	-	11 141 818	11 141 818
Other income	-	-	-	-	-	148 587	148 587
Fair value adjustment	-	-	-	-	-	1 069 294	1 069 294
Total segment revenue	67 708 793	7 369 174	45 472 391	4 828 491	19 266 917	355 109 797	499 755 563
Entity's revenue							499 755 563

Expenditure	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Services	Total
Employee Costs	4 343 721	7 870 910	10 558 648	21 111 482	9 431 486	57 405 414	110 721 661
Remuneration of councillors	-	-	-	-	-	23 964 376	23 964 376
Other expense	2 412 735	4 471 201	1 144 800	8 070 745	5 085 987	35 161 453	56 326 921
Bulk Purchase- Electricity	35 021 699	-	-	-	-	-	35 021 699
Depreciation and amortisation	-	-	31 870 205	-	-	8 309 456	40 179 661
Interest expense	1 133 507	10 913 878	1 916 365	10 486 256	1 562 954	1 473	32 951 257
Contracted Services	36 764 822	-	6 113 115	1 913	-	533 068	43 412 918
Loss on disposal	-	-	-	-	-	-	-
Total segment expenditure	79 676 484	23 255 989	51 603 133	39 670 396	16 080 427	132 293 537	342 579 966
Total segmental surplus/(deficit)							157 175 597

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Assets									
Current assets	242 901 551	1 271 178	151 477 882	30 598 933	16 786 926	(75 862 689)	367 173 781		
Non-current assets	30 518 570	7 568 728	150 675 593	7 116 923	1 635 543	540 012 676	737 528 033		
Total segment assets	273 420 121	8 839 906	302 153 475	37 715 856	18 422 469	464 149 987	1 104 701 814		
Total assets as per Statement of financial Position							1 104 701 814		
Liabilities									
Current liabilities	364 502 657	1 787 336	358 053 041	63 254 358	45 372 915	(762 387 003)	70 583 304		
Non-current liabilities	-	-	-	15 373 320	52 933 573	(63 060 831)	5 246 062		
Total segment liabilities	364 502 657	1 787 336	358 053 041	78 627 678	98 306 488	(825 447 834)	75 829 366		
Total liabilities as per Statement of financial Position							75 829 366		

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

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

58. Prior period errors

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

Receivables from non-exchange transactions

During the year it was discovered that a payment made to Alstonia Trading and Projects through a cession agreement of R418 046 relating to services provided by the company on behalf of Zamadunga Business Enterprise on the 18th of December 2020 was also claimed and paid to Zamadunga Business Enterprise which made this a double payment on the construction of the Civic Centre. Zamadunga Business Enterprise has accepted the debt and requested that this amount be deducted from their retention when it falls due.

During the year a former employee of the municipality was found guilty by a court of law of theft of municipal funds came to the municipality to make payments in line with the court judgement that the municipality was not aware of. Upon investigation the municipality was able to obtain the court judgement which revealed that the municipality should have recognise a receivable of R180 000 in June 2009 but it was never recognised. This error has since been corrected as a prior period error.

The correction of this error has resulted in an increase in Receivables from non-exchange transactions by the same amount of R598 046.

Cash and Cash equivalents

During the year it was discovered that Interest received on Investment for the 2019/20 financial year which appeared on the June 2020 statement was not recorded. The interest has then been recorded in the 2020/21 financial year as a correction of opening balances. The impact of this error resulted to an understatement of Cash and Cash equivalents of R1 512.63.

The correction of this error resulted to an increase in Cash and Cash equivalents R1 512.63

VAT Receivables

During the year it was discovered that on the 25th June 2021 the municipality paid an amount of R5 314 824.29 to Zamadunga Business Enterprise for the construction of Bizana Civic Centre which was later discovered that R2 202 802.93 of the amount paid related to work that was not yet completed on the 25th June 2021. Input Vat on the transaction amounted to R287 322.12 which was an error because payment was not due. This resulted in a decrease on Input Vat by R287 322.12.

The correction of this error resulted to a decrease on Input Vat of R287 322.12.

Prepayments

During the year it was discovered that on the 25th June 2021 the municipality paid an amount of R5 314 824.29 to Zamadunga Business Enterprise for the construction of Bizana Civic Centre which included an amount of R2 202 802.93 that related to work to be performed by SMME's subcontracted to the project as part of the 30% government initiative to capacitate small businesses of which work was not yet completed on the 30th June 2021 and subsequently the 30th June 2022.

Investigations revealed that the amount was paid in response to a plea by the appointed contractor to assist the SMMEs that were struggling to pay for materials required to complete the project and therefore delaying progress. The municipality's appointed team of professionals then advised the municipality pays the amount to the main contractor who would then procure the material required to ensure it is of the required quality and therefore pay the subcontractors when work is completed.

This resulted in a prepayment which resulted to an increase in prepayments of R2 202 802.93.

The correction of this error resulted in an increase on Prepayments of R2 202 802.93

Property Plant and Equipments

During the year it was discovered that on the 25th June 2021 the municipality paid an amount of R5 314 824.29 to Zamadunga Business Enterprise for the construction of Bizana Civic Centre which included an amount of R2 202 802.93 that related to work to be performed by SMME's subcontracted to the project as part of the 30% government initiative to capacitate small businesses of which work was not yet completed on the 30th June 2021 and subsequently the 30th June 2022.

This resulted into a decrease in Work in Progress of R1 915 480.81 exclusive of Input Vat of R287 322.12

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

58. Prior period errors (continued)

It was also discovered that on the 30th of June 2021 a septic tank with a total value of R396 704 was completed and recognised as part of accruals. However, this amount was incorrectly recognised as contracted services instead of Property Plant and Equipment. The impact of this error was an understatement of property plant and equipment.

It was also discovered that during 2020/21 financial year there was a disposal of two roads infrastructure components with a total opening accumulated impairment of R36 435.52. This accumulated impairment was never correctly derecognised during disposal. The impact of this error was an understatement of property plant and equipment.

During the year it was discovered that a payment made to Alstonia Trading and Projects through a cession agreement of R418 046 relating to services provided by the company on behalf of Zamadunga Business Enterprise on the 18th of December 2020 was also claimed and paid to Zamadunga Business Enterprise which made this a double payment on the construction of the Civic Centre. Zamadunga Business Enterprise has accepted the debt and requested that this amount be deducted from their retention when it falls due.

This correction resulted in a decrease on Work in Progress of R418 046.

During the year it was discovered that on the 23rd of June 2021 the municipality transferred ERF 940 property to a private owner. The disposal transaction relating to ERF 940 was never processed. The impact of this error was an overstatement of Land by R4 361.45, Building by R25 162.22 and Accumulated depreciation by R5 024.07. The net movement is R24 499.60.

The corrections of these errors resulted in a net decrease of R1 924 884 on Property, plant and equipment

Provisions

During the year it was discovered that the number of leave days for Senior Managers was incorrectly capped on 24 leave days while the leave days for Senior Managers should not exceed 48 leave days as per the policy of the municipality. The impact of this error resulted in an understatement of the Leave Provision.

The correction of this error resulted in a net increase of R695 503.

Payables from exchange transactions

During the year it was discovered that an amount of R19 397.50 was transacted directly on Net Assets. These transactions were raised as Payables from exchange transactions of R9 900 for catering services and R9 497.50 for Spatial development framework review in 2021 financial year. Due to work not done the transaction for Catering services of R9 900 and R9 497.50 for Spatial Framework review which was already included as an accrual were then reversed in 2022 financial year. The impact of these transactions resulted to an overstatement of Payables from exchange transactions,

The correction of this error resulted in a decrease in Payables from exchange transactions of R19 397.50

Employee Related Cost

During the year it was discovered that the number of leave days for Senior Managers was incorrectly capped on 24 leave days while the leave days for Senior Managers should not exceed 48 leave days as per the policy of the municipal. This error resulted to an understatement of Employee related cost of R695 503.

The correction of this error resulted in a net increase of R695 503.

Contracted Services

During the year it was discovered that on the 30th of June 2021 a septic tank with a total value of R396 704 was completed and recognised as part of accruals. However, this amount was incorrectly recognised as contracted services instead of Property Plant and Equipment. The impact of this error was an understatement overstatement on contracted services.

During the year it was discovered that an amount of R19 397.50 was transacted directly on Net Assets. These transactions were raised as Payables from exchange transactions of R9 900 for catering services and R9 497.50 for Spatial development framework review in 2021 financial year. Due to work not done the transaction for Catering services of R9 900 and R9 497.50 for Spatial Framework which was already included as an accrual, these transaction were then reversed in 2022 financial year. The impact of these transactions resulted to an overstatement of Contracted Services.

The correction of this error resulted in a decrease of R416 101.50 on Contracted Services

Loss of disposal of asset

During the year it was discovered that during 2020/21 financial year there was a disposal of two roads infrastructure components with a total opening accumulated impairment of R36 435.52. This accumulated impairment was never correctly derecognised during disposal. The impact of this error is an overstatement of loss on disposal of assets & liabilities.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

58. Prior period errors (continued)

The correction of this error resulted in a net decrease of R36 435.52.

Accumulated Surplus

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

An increase in Leave Provision and increase Employee related cost of R695 503 resulted to a decrease on Accumulated Surplus of R695 503.

An increase on property plant and equipment and decrease in contracted services of R396 704 resulted to an increase on Accumulated Surplus of R396 704.

An increase on property plant and equipment and decrease in loss on disposal of assets & liabilities resulted to an increase on Accumulated Surplus of R36 435.52.

The decrease in Payables from exchange transactions and a decrease in Contracted services resulted to an increase in Accumulated Surplus of R19 397.50

The increase in Interest received and Other receivables from exchange transactions resulted to an increase of R1 512.63 in Accumulated Surplus.

During the year it was discovered that on the 23rd of June 2021 the municipality transferred ERF 940 property to a private owner. The disposal transaction relating to ERF 940 was never processed. The impact of this error was an overstatement of Land by R4 361.45, Building by R25 162.22 and Accumulated depreciation by R5 024.07. The net movement is R24 499.60.

During the year a former employee of the municipality was found guilty by a court of law of theft of municipal funds came to the municipality to make payments in line with the court judgement that the municipality was not aware of. Upon investigation the municipality was able to obtain the court judgement which revealed that the municipality should have recognise a receivable of R180 000 in June 2009 but it was never recognised. This error has since been corrected as a prior period error

The cumulative effect of all changes that have occurred resulted in a net decrease of R85 949 on Accumulated Surplus.

Commitments

During the year management revised the commitment register to also present commitment from operating projects to enhance the presentation and classification of commitments for users of financial statements to have a more clearer picture of the types of commitments the municipality has.

This has resulted in a new category of commitments relating to operating projects reclassified from other assets

An exercise was done during the year to get user departments to provide more information and confirmation on commitments that either had very small amounts or there was no movement on the commitments compared to the prior year whether these were still ongoing projects. This confirmation revealed that most of the projects were completed in the prior years and the remaining balances were savings realised from the projected bid prices.

The commitment adjusted resulted to a downward adjustment of R3 187 669 as a result of confirmed savings from completed projects.

Commitments

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

Commitments categories as previously reported

Authorised capital expenditure

Already contracted for but not provided for

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand 2022 2021

58. Prior period errors (continued)

Revised commitments categories

Authorised capital expenditure

Already contracted for but not provided for

Infrastructure assets	-	4 296 993
Integrated electrification	-	6 992 641
Community assets	-	37 061 462
Other assets	-	6 006 047

Authorised operational expenditure

Already contracted for but not provided for

Operational expenditure	-	10 857 636
	-	<u>65 214 779</u>

59. 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

2021

	Note	As previously reported	Correction of error	Restated
Receivables from non exchange transactions		645 093	598 046	1 243 139
Cash and Cash equivalent		258 160 700	1 513	258 162 213
VAT Receivables		15 896 271	(287 322)	15 608 949
Prepayments		14 974 173	2 202 803	17 176 976
Property, plant and equipment		701 498 020	(1 924 884)	699 573 136
Provisions		(19 990 321)	(695 502)	(20 685 823)
Payables from exchange transaction		(44 353 846)	19 398	(44 334 448)
Accumulated Surplus		(1 028 958 397)	85 948	(1 028 872 449)
		<u>(102 128 307)</u>	-	<u>(102 128 307)</u>

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Employee related Cost		(110 026 158)	(695 503)	(110 721 661)
Contracted Services		(33 367 359)	416 102	(32 951 257)
Loss on disposal of assets		(43 424 855)	11 936	(43 412 919)
Surplus for the year		<u>(186 818 372)</u>	<u>(267 465)</u>	<u>(187 085 837)</u>

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		47 471 065	(132 237)	47 338 828
Employee Cost		(133 990 533)	(695 503)	(134 686 036)
Suppliers		(128 662 242)	(1 110 597)	(129 772 839)
		<u>(215 181 710)</u>	<u>(1 938 337)</u>	<u>(217 120 047)</u>
Cash flow from investing activities				
Purchase of property, plant and equipment		(125 364 871)	1 936 824	(123 428 047)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

60. Budget differences

Material differences between budget and actual amounts

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

Statement of Financial Performance

Rental of facilities and equipment

The excess actual revenue more than budget is due to increase lease rentals as a result of new lease agreements that were signed towards the end of last financial year.

Agency services

The actual revenue being less than the budget is due to the impact of Covid on the economy. Department of Transport was having challenges with their services, extension dates for licence renewals and faulty machine causing delays on issuing.

Commissions received

The excess actual revenue more than budget is due additional 3rd party payroll transactions the municipality is receiving commission from.

Recoveries

These are insurance recoveries which the municipality does not budget for. These recoveries were as a result of municipal assets that were written off /stolen during the year.

Other income

The actual revenue being less than the budget is due to tender fees that have been since discontinued as tender documents are now uploaded on the eTender portal. There has also been a decline on adhoc advertising fees and funeral fees as more people prefer to use rural homestead burials than the grave yard in town.

Licence and permit

The excess actual revenue more than budget is due to recovery on Licences and permit after National disaster, the budget catered for impact of national disaster and the extension of grace period for licence renewal.

Transfer recognised- capital contribution

The actual income less than the budget is due to GBS Grant that the municipality budgeted for and the municipality did not receive it in the 2021/22 financial year.

Public contributions and donations

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

Fines, Penalties and forfeits

The revenue for fines was adjusted down during the adjustment budget based on the assessment of actual performance for fines billed. The decrease on fines is due people not found to have contravened with laws.

Finance Cost

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

Lease rentals on operating lease

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

Depreciation

The depreciation budgeted for was based on old and new assets that were going to be procured and constructed. Most of the construction assets were not completed during the year, which resulted to underspending on depreciation.

Impairment losses

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

60. Budget differences (continued)

The actual expenditure being less than the budget is the result of the estimated damages caused by floods in April that was done during budget stage. The outcome of the impairment was less as the result of some assets that were affected by floods being repaired.

Debt Impairment

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

Contracted services

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

Transfers and subsidies

The actual expenditure being less than budget is savings to the municipality. There was also a period of over three months where government procurement of over R30 000 was halted resulting in major interruptions in government spending during the period.

Loss on disposal of assets

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

General expense

The actuals expenditure being less than the budget is savings due to implementation of cost containment measures. This might be as a result of the slow spending during the first months of each financial year which is always experienced and the different stages of covid-19 regulations which has meant little activity was recorded for the municipality and some events being cancelled. There was also a period of over three months where government procurement of over R30 000 was halted resulting in major interruptions in government spending during the period.

Fair value adjustment

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

Statement of Financial Position

Inventories

The actual expenditure being less than the budget is savings. There was also a period of over three months where government procurement of over R30 000 was halted resulting in major interruptions in government spending during the period.

Other receivables from exchange transactions

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

Receivables from non exchange

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

Cash and Cash equivalent

The actual cash on hand as at 30 June 2022 was due to savings realised on increase on interest received, rental of facilities and equipment and licence and permits more than budget. Furthermore, the reduced spending on general expenditure, contracted services which may be attributable to the over three months where government procurement of over R30 000 was halted.

Investment Property

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

Intangible assets

The variance on intangible assets is due to change in useful life of an asset.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

60. Budget differences (continued)

Unspent conditional grants and receipts

The municipality does not budget for unspent grants as these are meant to be fully spent by the end of the year. The difference is the Library grant and GBS Grant that was not fully spent during the year.

Payables from exchange transactions

The excess of actual payables being more than the budget is due to increase in accruals at year end, increase in retention as the municipality has been constructing assets and withholding of retentions.

Provisions

The budget for provisions is based on the audited figures of 2020/21. The landfill provision is performed by an independent expert.

Cash flow statement

Rate payers and others

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

Interest income

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

Suppliers

The difference is caused by the delays in procurement during the period where government procurement was suspended by National Treasury for all procurement above R30 000.

Finance costs

The municipality did not incur any interest during the year.

Purchase of property, plant and equipment

The difference is caused by delays in procurement during the period where government spending was suspended by National Treasury, floods in April 2022 affecting progress on some of the infrastructure, non-cash transfers of the prepayments for the stadium that were to have been utilised by year-end as well as savings on other internally funded projects.

Purchase of heritage assets

This is caused by maintenance expenditure that gave the asset a new life but was internally planned as just normal maintenance.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

61. Impairment loss

Impairments

Property, plant and equipment

8 555 816

-

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

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

The following classes of assets were affected as indicated

Infrastructure Assets

R4 115 053;

Community Assets

R4 440 762

62. Events after the reporting date

There are currently no events to report on but management will continue assessing situation and gathering information through out the reporting period to enable reporting as and when the need arises. Reporting by management will include, where applicable:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

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. s31 council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	26 171 349	(4 888 028)	21 283 321	-	-	21 283 321	21 163 194	(120 127)	(120 127)	99 %	81 %
Service charges	43 474 003	5 716	43 479 719	-	-	43 479 719	42 138 922	(1 340 797)	(1 340 797)	97 %	97 %
Investment revenue	15 179 343	-	15 179 343	-	-	15 179 343	15 474 310	294 967	294 967	102 %	102 %
Transfers recognised - operational	295 690 000	3 283 346	298 973 346	-	-	298 973 346	295 672 374	(3 300 972)	(3 300 972)	99 %	100 %
Other own revenue	9 517 748	(359 914)	9 157 834	-	-	9 157 834	14 593 445	5 435 611	5 435 611	159 %	153 %
Total revenue (excluding capital transfers and contributions)	390 032 443	(1 958 880)	388 073 563	-	-	388 073 563	389 042 245	968 682	968 682	100 %	100 %
Employee costs	(126 853 784)	7 364 446	(119 489 338)	-	-	(119 489 338)	(116 655 429)	2 833 909	2 833 909	98 %	92 %
Remuneration of councillors	(26 006 884)	-	(26 006 884)	-	-	(26 006 884)	(24 782 223)	1 224 661	1 224 661	95 %	95 %
Debt impairment	(9 600 000)	-	(9 600 000)	-	-	(9 600 000)	(821 631)	8 778 369	8 778 369	9 %	9 %
Depreciation and asset impairment	(52 681 812)	(15 000 000)	(67 681 812)	-	-	(67 681 812)	(52 653 030)	15 028 782	15 028 782	78 %	100 %
Finance charges	(150 000)	-	(150 000)	-	-	(150 000)	-	150 000	150 000	- %	- %
Materials and bulk purchases	(40 777 132)	-	(40 777 132)	-	-	(40 777 132)	(40 211 160)	565 972	565 972	99 %	99 %
Transfers and grants	(5 906 906)	(143 490)	(6 050 396)	-	-	(6 050 396)	(1 251 198)	4 799 198	4 799 198	21 %	21 %
Other expenditure	(171 552 850)	(44 616 655)	(216 169 505)	-	-	(216 169 505)	(171 436 796)	44 732 709	44 732 709	79 %	100 %
Total expenditure	(433 529 368)	(52 395 699)	(485 925 067)	-	-	(485 925 067)	(407 811 467)	78 113 600	78 113 600	84 %	94 %
Surplus/(Deficit)	(43 496 925)	(54 354 579)	(97 851 504)	-	-	(97 851 504)	(18 769 222)	79 082 282	79 082 282	19 %	43 %

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

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. s31 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	99 295 500	(3 120 827)	96 174 673	-	-	96 174 673	80 162 006		(16 012 667)	83 %	81 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	78 999		78 999	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	55 798 575	(57 475 406)	(1 676 831)	-	-	(1 676 831)	61 471 783		63 148 614	(3 666)%	110 %
Surplus/(Deficit) for the year	55 798 575	(57 475 406)	(1 676 831)	-	-	(1 676 831)	61 471 783		63 148 614	(3 666)%	110 %
Capital expenditure and funds sources											
Total capital expenditure	117 726 617	78 461 620	196 188 237	-	-	196 188 237	165 270 930		(30 917 307)	84 %	140 %
Sources of capital funds	86 398 617	(5 636 187)	80 762 430	-	-	80 762 430	64 059 480		(16 702 950)	79 %	74 %
Transfers recognised - capital	31 328 000	84 097 807	115 425 807	-	-	115 425 807	101 211 450		(14 214 357)	88 %	323 %
Total sources of capital funds	117 726 617	78 461 620	196 188 237	-	-	196 188 237	165 270 930		(30 917 307)	84 %	140 %

Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements for the year ended 30 June 2022

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 investing	129 537 470	3 856 379	133 393 849	-	-	133 393 849	178 759 738		45 365 889	134 %	138 %
Net cash from (used) investing	(119 176 119)	(81 141 181)	(200 317 300)	-	-	(200 317 300)	(159 813 128)		40 504 172	80 %	134 %
Net increase/(decrease) in cash and cash equivalents	10 361 351	(77 284 802)	(66 923 451)	-	-	(66 923 451)	18 946 610		85 870 061	(28)%	183 %
Cash and cash equivalents at the beginning of the year	181 236 365	76 924 335	258 160 700	-	-	258 160 700	258 162 213		1 513	100 %	142 %
Cash and cash equivalents at year end	191 597 716	(360 467)	191 237 249	-	-	191 237 249	277 108 823		(85 871 574)	145 %	145 %

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B
 June 2022

Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3 148 628	-	-	-	-	-	3 148 628	-	-	-	-	-	(1 296 455)	3 148 628
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(1 128 194)	-	-	(167 261)	-	-	1 946 405
Buildings (Separate for AFS purposes)	29 423 808	-	(25 162)	63 000	-	-	29 461 646	(5 667 908)	5 033	-	(674 244)	-	(6 337 119)	23 124 527
	35 815 296	-	(25 162)	63 000	-	-	35 853 134	(6 797 102)	5 033	-	(841 505)	-	(7 633 674)	28 219 560
Infrastructure														
Roads, Pavements & Bridges	617 912 979	47 689 804	(32 529 603)	6 600 736	-	-	639 673 716	(243 605 636)	17 412 485	-	(30 177 254)	(4 115 053)	(260 485 458)	379 188 268
Transmission & Reticulation	19 919 287	-	-	-	-	-	19 919 287	(4 213 286)	-	-	(638 390)	-	(4 851 676)	15 067 611
Under construction	60 885 921	38 642 992	(28 882 248)	(6 600 736)	-	-	64 045 928	-	-	-	-	-	-	64 045 928
	698 718 187	86 332 596	(61 411 852)	-	-	-	723 638 931	(247 818 922)	17 412 485	-	(30 815 644)	(4 115 053)	(265 337 134)	458 301 797
Community Assets														
Parks & gardens	4 207 681	-	-	-	-	-	4 207 681	(686 894)	-	-	(101 016)	-	(1 089 850)	3 117 831
Sportsfields and stadium	27 157 174	-	-	-	-	-	27 157 174	(8 128 812)	-	-	(766 053)	(4 440 763)	(13 335 668)	13 821 508
Creches	11 198 833	-	-	-	-	-	11 198 833	(730 360)	-	-	(297 220)	-	(1 027 780)	10 171 053
Community halls	57 098 253	13 130 028	(179 046)	13 129 537	-	-	83 178 772	(7 191 177)	-	-	(1 645 974)	-	(8 837 151)	74 341 621
Market place	865 000	-	-	-	-	-	865 000	-	-	-	(18 409)	-	(18 409)	846 591
Other	176 417	-	-	-	-	-	176 417	-	-	-	-	-	-	176 417
Cemeteries	224 224	-	-	-	-	-	224 224	(133 129)	-	-	(13 313)	-	(146 442)	77 782
Under Construction	100 004 458	63 174 724	-	(13 128 536)	-	-	150 049 646	-	-	-	-	-	-	150 049 646
	200 932 040	76 304 752	(179 046)	1	-	-	277 057 747	(17 172 512)	-	-	(2 842 025)	(4 440 763)	(24 455 300)	252 602 447

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B
 June 2022

Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Historical monuments	1 230 799	-	-	-	30 000	-	1 230 799	-	-	-	-	-	-	1 230 799
Art collections, antiquities and exhibits	-	-	-	-	30 000	-	30 000	-	-	-	-	-	-	30 000
	1 230 799	-	-	-	30 000	-	1 260 799	-	-	-	-	-	-	1 260 799
Specialised vehicles														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	16 444 499	-	(3 593 808)	-	-	-	12 850 691	(5 311 162)	1 897 068	-	(2 186 713)	-	(6 600 807)	6 249 884
Plant & equipment	25 270 153	119 400	(507 901)	-	-	-	24 881 652	(12 740 807)	231 249	-	(2 893 785)	-	(15 403 143)	9 478 509
Computer Equipment	7 673 025	1 833 889	(263 546)	-	-	-	9 243 478	(4 849 675)	263 546	-	(1 538 024)	-	(6 124 153)	3 119 325
Computer Software (part of computer equipment)	2 230 573	-	-	-	-	-	2 230 573	(2 161 220)	-	-	(26 066)	-	(2 187 288)	43 285
Furniture & Fittings	87 753	-	-	-	-	-	87 753	(74 025)	-	-	(8 708)	-	(82 823)	4 930
Office Equipment	13 266 306	4 553	(121 466)	78 999	-	-	13 228 492	(8 137 316)	105 565	-	(2 399 879)	-	(10 431 630)	2 796 862
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	1 496 435	-	-	-	-	-	1 496 435	(574 390)	-	-	(479 304)	-	(1 053 694)	442 741
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	4 275 789	596 527	-	(63 000)	-	-	4 809 316	-	-	-	-	-	-	4 809 316
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	70 744 533	2 554 579	(4 486 721)	15 999	-	-	68 828 390	(34 848 395)	2 487 428	-	(9 532 571)	-	(41 883 538)	26 944 852

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B
 June 2022

Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	35 815 296	-	(25 162)	63 000	-	-	35 853 134	(6 797 102)	5 033	-	(841 505)	-	(7 633 574)	28 219 560
Infrastructure	698 718 187	86 332 596	(61 411 852)	-	-	-	723 638 931	(247 818 922)	17 412 485	-	(30 815 644)	(4 115 053)	(265 337 134)	458 301 797
Community Assets	200 932 040	76 304 752	(179 046)	1	-	-	277 057 747	(17 172 512)	-	-	(2 842 025)	(4 440 763)	(24 455 300)	252 602 447
Heritage assets	1 230 799	-	-	-	30 000	-	1 260 799	-	-	-	-	-	-	1 260 799
Specialised vehicles	70 744 533	2 554 579	(4 486 721)	15 999	-	-	68 828 390	(34 848 395)	2 497 428	-	(9 532 571)	-	(41 883 538)	26 944 852
Other assets	1 007 440 855	165 191 927	(66 102 781)	79 000	30 000	-	1 106 639 001	(306 636 931)	19 914 946	-	(44 031 745)	(8 555 816)	(339 309 546)	767 329 455
Agricultural/Biological assets														
Agricultural Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	2 230 573	-	-	-	-	-	2 230 573	(2 161 256)	-	-	(26 068)	-	(2 187 326)	43 247
Other	2 230 573	-	-	-	-	-	2 230 573	(2 161 256)	-	-	(26 068)	-	(2 187 326)	43 247
Investment properties														
Investment property	36 654 783	-	-	-	2 435 400	-	39 090 183	-	-	-	-	-	-	39 090 183
	36 654 783	-	-	-	2 435 400	-	39 090 183	-	-	-	-	-	-	39 090 183
Total														
Land and buildings	35 815 296	-	(25 162)	63 000	-	-	35 853 134	(6 797 102)	5 033	-	(841 505)	-	(7 633 574)	28 219 560
Infrastructure	698 718 187	86 332 596	(61 411 852)	-	-	-	723 638 931	(247 818 922)	17 412 485	-	(30 815 644)	(4 115 053)	(265 337 134)	458 301 797
Community Assets	200 932 040	76 304 752	(179 046)	1	-	-	277 057 747	(17 172 512)	-	-	(2 842 025)	(4 440 763)	(24 455 300)	252 602 447
Heritage assets	1 230 799	-	-	-	30 000	-	1 260 799	-	-	-	-	-	-	1 260 799
Specialised vehicles	70 744 533	2 554 579	(4 486 721)	15 999	-	-	68 828 390	(34 848 395)	2 497 428	-	(9 532 571)	-	(41 883 538)	26 944 852
Other assets	1 007 440 855	165 191 927	(66 102 781)	79 000	30 000	-	1 106 639 001	(306 636 931)	19 914 946	-	(44 031 745)	(8 555 816)	(339 309 546)	767 329 455
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	36 654 783	-	-	-	2 435 400	-	39 090 183	-	-	-	-	-	-	39 090 183
	36 654 783	-	-	-	2 435 400	-	39 090 183	-	-	-	-	-	-	39 090 183

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

**Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation
Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3 552 990	-	(4 361)	-	-	-	3 548 629	-	(400 000)	-	-	-	(400 000)	3 148 629
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(961 933)	-	(400 000)	(167 261)	-	(1 129 194)	2 113 666
Buildings (Separate for AFS purposes)	33 014 552	735 627	(7 176 666)	(3 583 543)	-	-	29 448 970	(6 160 221)	206 474	834 326	(722 237)	148 566	(5 693 072)	23 755 898
Infrastructure														
Roads, Pavements & Bridges	592 087 099	37 612 950	(12 921 343)	1 134 273	-	-	617 912 979	(221 503 463)	6 771 792	-	(28 910 391)	36 435	(243 605 627)	374 307 352
Transmission & Re-valuation	18 212 553	1 706 784	-	-	-	-	19 919 337	(3 624 928)	-	-	(588 357)	-	(4 213 286)	15 706 001
Under construction	52 978 513	45 508 594	(36 487 913)	(1 134 273)	-	-	60 885 921	-	-	-	-	-	-	60 885 921
	663 278 165	84 829 278	(49 399 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	36 435	(247 818 913)	450 899 274
Community Assets														
Parks & gardens	31 765 668	865 000	-	-	-	-	32 630 668	(8 364 332)	-	-	(886 445)	-	(9 250 777)	23 379 791
Community halls	51 342 034	1 752 716	-	4 003 433	-	-	57 098 183	(6 003 395)	-	-	(1 187 782)	-	(7 191 177)	49 907 006
Crèches	11 198 833	-	-	-	-	-	11 198 833	(493 340)	-	-	(287 220)	-	(730 560)	10 468 273
Under construction	63 594 809	40 412 882	-	(4 003 433)	-	-	100 004 258	-	-	-	-	-	-	100 004 258
	157 901 344	43 030 698	-	-	-	-	200 932 042	(14 801 067)	-	-	(2 371 447)	-	(17 172 514)	183 759 528

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B
 June 2022

Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Historical monument	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 230 799						1 230 799							1 230 799
Specialised vehicles														
Other assets														
General vehicles	14 502 489	1 974 009	(32 000)	-	-	-	16 444 488	(4 885 785)	26 380	-	(1 451 774)	-	(6 311 188)	10 133 309
Plant & equipment	23 283 565	1 986 587	-	-	-	-	25 270 152	(9 884 482)	-	-	(2 856 124)	-	(12 740 606)	12 529 546
Computer Equipment	6 116 593	1 593 775	(37 343)	-	-	-	7 673 025	(4 109 709)	33 851	-	(773 817)	-	(4 849 675)	2 823 350
Computer Software (part of computer equipment)	2 230 573	-	-	-	-	-	2 230 573	(1 940 272)	-	-	(220 946)	-	(2 161 220)	59 353
Furniture & Fittings	64 816	24 500	(1 363)	-	-	-	87 753	(63 446)	1 285	-	(11 864)	-	(74 025)	13 728
Office Equipment	10 707 019	2 766 670	(207 383)	-	-	-	13 266 306	(6 585 304)	179 205	-	(1 731 217)	-	(8 137 316)	5 128 990
Bins and Containers	651 163	545 270	-	-	-	-	1 496 435	(347 293)	-	-	(227 087)	-	(574 390)	922 045
Work in progress	2 367 148	1 908 641	-	-	-	-	4 275 789	-	-	-	-	-	-	4 275 789
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	60 123 168	10 899 452	(278 089)				70 744 531	(27 816 301)	240 721		(7 272 841)		(34 848 421)	36 896 110

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B
 June 2022

Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	39 810 402	735 627	(722 027)	(3 583 543)	-	-	36 240 459	(7 122 154)	206 474	434 326	(889 498)	148 566	(7 222 266)	29 018 193
Infrastructure	663 278 165	84 829 278	(49 389 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	36 435	(247 818 913)	450 899 274
Community Assets	157 901 344	43 030 698	-	-	-	-	200 932 042	(14 801 067)	-	-	(2 371 447)	-	(17 172 514)	183 759 528
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Specialised vehicles	60 123 168	10 899 452	(278 089)	-	-	-	70 744 531	(27 816 301)	240 721	-	(7 272 841)	-	(34 848 421)	35 896 110
Other assets	922 343 878	139 495 055	(50 389 372)	(3 583 543)	-	-	1 007 866 018	(274 867 914)	7 218 987	434 326	(40 032 534)	185 021	(307 062 114)	700 803 904
Agricultural/Biological assets														
Agricultural Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers – software & programming	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	89 315
Other	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	89 315
Investment properties														
Investment property	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
Total														
Land and buildings	39 810 402	735 627	(722 027)	(3 583 543)	-	-	36 240 459	(7 122 154)	206 474	434 326	(889 498)	148 566	(7 222 266)	29 018 193
Infrastructure	663 278 165	84 829 278	(49 389 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	36 435	(247 818 913)	450 899 274
Community Assets	157 901 344	43 030 698	-	-	-	-	200 932 042	(14 801 067)	-	-	(2 371 447)	-	(17 172 514)	183 759 528
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Specialised vehicles	60 123 168	10 899 452	(278 089)	-	-	-	70 744 531	(27 816 301)	240 721	-	(7 272 841)	-	(34 848 421)	35 896 110
Other assets	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	89 315
Agricultural/Biological assets	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
Intangible assets	957 010 723	139 495 055	(50 389 372)	(434 326)	1 069 294	-	1 046 751 374	(276 899 987)	7 218 987	434 326	(40 161 709)	185 021	(309 223 372)	737 528 002
Investment properties														

Winnie Madikizela-Mandela Local Municipality

Appendix D

June 2022

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

Actual Income	Actual Expenditure	Surplus /(Deficit)		Actual Income	Actual Expenditure	Surplus /(Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
Municipality						
-	58 549 458	(58 549 458)	Executive & Council/Mayor and Council	822 012	57 926 574	(57 104 562)
374 263 556	86 470 422	287 793 134	Finance & Admin/Finance	338 437 330	92 855 654	245 581 676
126 549	21 101 420	(20 974 871)	Planning and Development/Economic Development/Plan	46 324 274	24 700 584	21 623 690
543 644	7 338 097	(6 794 453)	Comm. & Social/Libraries and archives	192 521	9 955 337	(9 762 816)
-	762 032	(762 032)	Housing	-	818 071	(818 071)
4 284 845	14 082 610	(9 797 765)	Public Safety/Police	3 767 566	13 617 467	(9 849 901)
-	2 079 390	(2 079 390)	Sport and Recreation	-	2 363 086	(2 363 086)
-	1 572 412	(1 572 412)	Environmental Protection/Pollution Control	-	2 158 644	(2 158 644)
7 369 174	23 255 990	(15 886 816)	Waste Water Management/Sewerage	7 771 925	14 572 952	(6 801 027)
45 459 000	45 013 746	445 254	Road Transport/Roads	5 536 676	89 004 625	(83 467 949)
67 708 794	79 676 484	(11 967 690)	Electricity /Electricity Distribution	66 430 946	96 817 340	(30 386 394)
-	2 677 904	(2 677 904)	Other/Air Transport	-	3 021 133	(3 021 133)
499 755 562	342 579 965	157 175 597		469 283 250	407 811 467	61 471 783

Winnie Madikizela-Mandela Local Municipality

Appendix E(1)

June 2022

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2022

	Current year 2021 Act. Bal.	Current year 2021 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	21 163 194	21 283 321	(120 127)	(0.6)
Service charges	42 138 922	43 479 719	(1 340 797)	(3.1)
Rental of facilities and equipment	7 510 508	4 022 358	3 488 150	86.7
				The excess actual revenue more than budget is due to increase lease rentals as a result of new lease agreements taht were signed in the current finacial year.
Interest received	15 474 310	15 179 343	294 967	1.9
Agency services	1 202 470	1 336 712	(134 242)	(10.0)
Fines	386 474	938 096	(551 622)	(58.8)
				The revenue for fines was adjusted down during the second adjustment budget based on the assessment of actual performance for fines billed.
Licences and permits	2 141 209	1 878 646	262 563	14.0
Government grants and subsidies	375 834 380	395 148 019	(19 313 639)	(4.9)
Government Donation	78 999	-	78 999	-
Other income - (rollup) FV	891 384	982 022	(90 638)	(9.2)
	-	-	-	-
	466 821 850	484 248 236	(17 426 386)	(3.6)
Expenses				
Personnel	(116 655 429)	(119 489 338)	2 833 909	(2.4)
Remuneration of councillors	(24 782 223)	(26 006 864)	1 224 661	(4.7)
Depreciation	(44 097 214)	(52 681 812)	8 584 598	(16.3)
				The depreciation budgeted for was based on old and new assets that were going to be procured and constructed. Most of the construction assets were not completed during the year
Impairment loss	(8 555 816)	(15 000 000)	6 444 184	(43.0)
				Impairments were less than anticipated due to some infrastructure assets were repaired.
Finance costs	-	(150 000)	150 000	(100.0)
Debt Impairment	(821 631)	(9 600 000)	8 778 369	(91.4)
				The municipality budgeted for debt impairment using the prior year provision, however this provision was adjusted due to handing over of overdue accounts to debt collectors. This resulted to municipality's debt impairment being less than the budget.
Bulk purchases	(40 211 160)	(40 777 132)	565 972	(1.4)
Contracted Services	-	-	-	-
Contracted Services	(57 071 486)	(98 784 694)	41 713 208	(42.2)
				The actual expenditure being less than budget is due to the delays in procurement processes as a result of misinterpretation of Constitutional court ruling on the Preferential Pocurement Policy Framework of 201
Transfers and subsidies	(1 251 198)	(6 050 396)	4 799 198	(79.3)
				The actual expenditure being less than budget is due to the delays in procurement processes as a result of misinterpretation of Constitutional court ruling on the Preferential Pocurement Policy Framework of 201
General Expenses	(67 814 018)	(78 666 421)	10 852 403	(13.8)
				The actual expenditure being less than budget is due to the delays in procurement processes as a result of misinterpretation of Constitutional court ruling on the Preferential Pocurement Policy Framework of 2017.
	(361 260 175)	(447 206 677)	85 946 502	(19.2)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(46 551 292)	(38 718 390)	(7 832 902)	20.2
				The variance on loss on disposal of asset is as a result of disposal of old roads at year end that were rehabilitated during the year
Fair value adjustments	2 461 400	-	2 461 400	-
	(44 089 892)	(38 718 390)	(5 371 502)	13.9
				No surplus forecasted
Net surplus/ (deficit) for the year	61 471 783	(1 676 831)	63 148 614	(3 765.9)

Winnie Madikizela-Mandela Local Municipality

Appendix E(2)

June 2022

Budget Analysis of Capital Expenditure as at 30 June 2022

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Finance & Admin/Finance	1 854 653	6 178 000	4 323 347		70 Savings on procurement that was not done on Computers
Planning and Development/Economic Development/Plan	76 743 679	109 684 109	32 940 430		30 Savings due to delays on construction of Manufacturing Hubs
Comm. & Social/Libraries and archives	220 600	157 600	(63 000)		(40) Transferring of completed slab from WJP.
Public Safety/Police	-	800 000	800 000		100 Savings on Pound equipment and Pound vehicle that was procured.
Waste Water Management/Sewerage	85 000	1 120 045	1 035 045		92 Savings due non procurement of Skip bins.
Road Transport/Roads	60 043 594	51 398 483	(8 645 111)		(17) Maintained roads transfer to Capital assets
Electricity /Electricity Distribution	26 323 404	26 750 000	426 596	2	
	165 270 930	196 088 237	30 817 307	16	

Winnie Madikizela-Mandela Local Municipality
 Appendix F
 Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2022

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure			Grants and Subsidies delayed / withheld			Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
Equitable share	National Treasury	120 675 000	96 540 000	72 405 000	-	-	-	-	-	-	-	Yes	
MIG Grant	National Treasury	25 513 000	13 755 000	11 755 000	2 897 003	12 630 070	16 613 099	18 882 828	-	-	-	Yes	
FMG Grant	National Treasury	2 000 000	-	-	297 551	759 720	284 954	557 775	-	-	-	Yes	
Library Grant	Sports Arts and Culture	-	-	500 000	68 560	30 294	24 404	20 533	-	-	-	Yes	
EPWP Grant	National Treasury	893 000	1 606 000	1 071 000	1 259 294	1 759 807	550 899	-	-	-	-	Yes	
SDF Grant	Alfred Ndzo District	-	-	-	-	-	-	-	-	-	-	Yes	
INEP Grant	National Treasury	10 000 000	8 000 000	10 453 000	5 464 993	18 241 730	3 607 524	138 753	-	-	-	Yes	
GBS Grant	National	6 971 200	-	-	-	-	686 006	-	-	-	-	Yes	
		166 052 200	119 901 000	96 194 000	10 987 421	33 421 621	21 766 886	19 699 899	-	-	-		

Winnie Madikizela-Mandela Local Municipality
Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2022

	2022/2021				2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	335 534 650	(4 153 266)	331 381 384	-	-	331 381 384	339 289 342	-	7 877 958	102 %	101 %	-	-	-	374 263 556
Finance and administration	335 534 650	(4 153 266)	331 381 384	-	-	331 381 384	338 437 330	-	7 055 946	102 %	101 %	-	-	-	374 263 556
Internal audit							822 012	-	822 012	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	5 478 644	(805 964)	4 672 680	-	-	4 672 680	3 960 087	-	(712 603)	85 %	72 %	-	-	-	4 828 490
Community and social services	680 455	-	680 455	-	-	680 455	192 521	-	(487 935)	28 %	28 %	-	-	-	543 644
Public safety	4 798 188	(805 954)	3 992 234	-	-	3 992 234	3 767 566	-	(224 668)	94 %	78 %	-	-	-	4 284 846
Economic and environmental services	71 474 986	(126 611)	71 348 375	-	-	71 348 375	51 860 950	-	(19 487 425)	73 %	73 %	-	-	-	45 585 549
Planning and development	20 451 986	(126 611)	20 325 375	-	-	20 325 375	46 324 274	-	25 998 899	228 %	227 %	-	-	-	126 549
Road transport	51 023 000	-	51 023 000	-	-	51 023 000	5 536 676	-	(45 486 324)	11 %	11 %	-	-	-	45 459 000
Trading services	78 839 663	7 023	78 846 686	-	-	78 846 686	74 202 871	-	(2 643 815)	97 %	97 %	-	-	-	75 077 966
Energy sources	68 576 725	1 307	68 578 032	-	-	68 578 032	66 430 946	-	(2 146 086)	97 %	97 %	-	-	-	67 708 794
Waste management	8 263 938	5 716	8 269 654	-	-	8 269 654	7 771 925	-	(487 729)	94 %	94 %	-	-	-	7 369 174
Total Revenue - Functional	489 327 943	(5 078 806)	484 249 135	-	-	484 249 135	469 283 280	-	(14 965 855)	97 %	96 %	-	-	-	499 755 563

**Winnie Madikizela-Mandela Local Municipality
Appendix G1**

**Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2022**

	2022/2021				2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	195 800 526	(2 618 006)	193 182 520	-	-	193 182 520	150 782 229	-	(42 400 291)	78 %	77 %	-	-	-	145 019 880
Executive and council	62 138 147	(2 076 537)	60 061 610	-	-	60 061 610	54 350 033	-	(6 711 577)	90 %	87 %	-	-	-	55 087 321
Finance and administration	127 982 920	(396 714)	127 586 206	-	-	127 586 206	92 865 654	-	(34 730 552)	73 %	73 %	-	-	-	86 470 422
Internal audit	5 879 459	(144 755)	5 734 704	-	-	5 734 704	3 575 642	-	(1 958 162)	65 %	63 %	-	-	-	3 452 137
Community and public safety	31 625 066	(2 304 798)	29 320 268	-	-	29 320 268	26 753 859	-	(2 566 309)	91 %	85 %	-	-	-	24 282 129
Community and social services	11 966 919	(1 457 689)	10 509 230	-	-	10 509 230	9 855 336	-	(553 894)	95 %	83 %	-	-	-	7 338 037
Sport and recreation	2 852 510	(294 140)	2 558 370	-	-	2 558 370	2 363 086	-	(195 284)	92 %	83 %	-	-	-	2 079 350
Public safety	15 768 707	(486 631)	15 282 076	-	-	15 282 076	13 617 467	-	(1 664 609)	89 %	86 %	-	-	-	14 082 610
Housing	1 036 830	(66 338)	970 492	-	-	970 492	818 070	-	(162 522)	84 %	79 %	-	-	-	782 032
Economic and environmental services	105 922 886	27 443 863	133 366 759	-	-	133 366 759	115 863 853	-	(17 502 906)	87 %	109 %	-	-	-	67 687 578
Planning and development	31 355 555	2 391 345	33 746 910	-	-	33 746 910	24 700 564	-	(9 046 326)	73 %	79 %	-	-	-	21 101 420
Road transport	72 028 553	25 012 850	97 041 403	-	-	97 041 403	89 004 625	-	(8 036 778)	92 %	124 %	-	-	-	45 013 746
Environmental protection	2 538 778	39 668	2 578 446	-	-	2 578 446	2 158 844	-	(419 602)	84 %	85 %	-	-	-	1 572 412
Trading services	96 327 768	29 378 672	125 706 440	-	-	125 706 440	111 390 292	-	(14 316 148)	89 %	116 %	-	-	-	102 932 474
Energy services	68 375 397	30 306 557	98 681 954	-	-	98 681 954	96 817 340	-	(1 864 624)	98 %	142 %	-	-	-	79 676 484
Waste management	27 952 371	(927 895)	27 024 476	-	-	27 024 476	14 572 952	-	(12 451 524)	54 %	52 %	-	-	-	23 255 990
Other	3 853 112	495 959	4 349 081	-	-	4 349 081	3 021 134	-	(1 327 947)	69 %	78 %	-	-	-	2 677 903
	3 853 112	495 959	4 349 081	-	-	4 349 081	3 021 134	-	(1 327 947)	69 %	78 %	-	-	-	2 677 903
Total Expenditure - Functional	433 529 368	52 395 700	485 925 068	-	-	485 925 068	407 811 467	-	(78 113 601)	84 %	94 %	-	-	-	342 579 954
Surplus/(Deficit) for the year	55 798 575	(57 474 508)	(1 675 933)	-	-	(1 675 933)	61 471 783	63 147 716	(3 668) %	110 %	110 %	-	-	-	157 175 599

**Winnie Madikizela-Mandela Local Municipality
Appendix G2**

**Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2022**

	2022/2021				2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Budget and Treasury	309 070 319	734 762	309 805 081	-	-	309 805 081	317 612 764	7 807 683	103 %	103 %	103 %	-	-	306 248 180	
Corporate Services	292 982	-	292 982	-	-	292 982	483 383	190 401	165 %	165 %	165 %	-	-	352 274	
Development and Planning	46 466 723	(4 888 027)	41 578 696	-	-	41 578 696	22 001 144	(19 577 552)	53 %	53 %	47 %	-	-	110 425	
Community and Social Services	13 742 882	(799 830)	12 943 052	-	-	12 942 752	11 732 011	(1 210 741)	91 %	91 %	85 %	-	-	15 604 227	
Infrastructure and Planning	51 176 612	(127 819)	51 048 793	-	-	51 051 693	51 022 899	(28 684)	100 %	100 %	100 %	-	-	54 143 418	
Electricity	68 575 725	1 307	68 577 032	-	-	68 577 032	66 430 946	(2 146 086)	97 %	97 %	97 %	-	-	59 438 106	
Total Revenue by Vote	489 327 943	(5 079 707)	484 248 236	-	-	484 248 236	489 283 247	(14 964 989)	97 %	97 %	96 %	-	-	435 896 630	
Expenditure by Vote to be appropriated															
Mayor and Council	43 908 315	(605 000)	43 304 315	-	-	43 304 315	39 895 481	(3 408 834)	92 %	92 %	91 %	-	-	39 327 894	
Municipal Manager	39 414 103	(1 589 655)	37 824 448	-	-	37 814 448	31 242 876	(6 571 572)	83 %	83 %	79 %	-	-	30 170 488	
Budget and Treasury	37 982 249	(447 883)	37 534 366	-	-	37 534 366	24 240 734	(13 293 632)	65 %	65 %	64 %	-	-	25 841 753	
Corporate Services	59 163 839	(1 440 098)	57 723 741	-	-	57 713 741	38 861 395	(18 852 346)	67 %	67 %	66 %	-	-	47 044 422	
Development and Planning	29 061 122	1 000 301	30 061 423	-	-	30 061 423	17 007 801	(13 053 622)	57 %	57 %	59 %	-	-	16 059 774	
Community and Social Services	78 225 411	(1 216 907)	77 008 504	-	-	77 008 504	60 928 520	(16 079 984)	79 %	79 %	78 %	-	-	63 663 161	
Infrastructure and Planning	77 407 932	26 688 375	103 996 307	-	-	103 996 307	98 817 305	(5 179 002)	95 %	95 %	128 %	-	-	50 500 516	
Electricity	68 375 397	30 116 567	98 491 964	-	-	98 491 964	96 817 340	(1 674 624)	98 %	98 %	142 %	-	-	96 847 851	
Total Expenditure by Vote	433 529 368	(52 395 700)	485 925 068	-	-	485 925 068	407 811 452	(78 113 616)	84 %	84 %	94 %	-	-	369 455 809	
Surplus/(Deficit) for the year	55 798 575	(57 475 407)	(1 676 832)	-	-	(1 676 832)	51 471 795	63 148 627	(3 666)%	(3 666)%	110 %	-	-	66 440 821	