



Madibeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Grading of local authority	Category B
Executive Mayor	Hon. J Ratlou
Speaker	Cllr. KS Ntshabele
Chief Whip	Cllr. PB Makgabo
Mayoral committee	Cllr. MM Machete (Public Safety and Facilities Management) Cllr. S Maunatlala (Economic Development, Tourism and Agriculture) Cllr. C Malola (Inter-Governmental Relations and Special Programmes) D Maimane (IDP PMS and Legal services) Cllr. ETM Modise (Corporate Support Services) Cllr. SDN Nthangeni (Budget and Treasury Office) Cllr T Mokoena (Roads and Transport) Cllr. J Sefudi (Infrastructure and Technical services) Cllr. P Phetlhe (Planning and Human Settlements) Cllr. M Modipane (Community Services)
Chairperson of MPAC	Cllr. D Diale
Councillors	Cllr. MZ Banda Cllr. EJ Edward Cllr. TS Bogale Cllr. RNJ Breytenbach Cllr. RE Dikgang Cllr. M Du Plesis

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Cllr. BP Gous
Cllr. NM Magakamba
Cllr. S Mohale
Cllr. LL Molotsi
Cllr. JM Mothibe
Cllr. MP Tlhopane
Cllr. HJ Gobbelaar
Cllr. KS Komane
Cllr. EDF Lourens
Cllr. ML Mabokachaba
Cllr. NS Mabunda
Cllr. S Malia
Cllr. ML Makgale
Cllr. AWS Malatse
Cllr. II Maledu
Cllr. CM Mampuru
Cllr. OD Marapyane
Cllr. FM Masemola
Cllr. BA Maubane
Cllr. PK Mawayi
Cllr. LG Mhlambi
Cllr. JT Moabi
Cllr. TM Modiha
Cllr. AM Modisakeng
Cllr. TJ Mohlanane
Cllr. RR Mohulatsi
Cllr. MA Mokgoko
Cllr. RA Mokone
Cllr. DM Molekoa
Cllr. MS Moloji
Cllr. AI Molotsi
Cllr. ED Montsho
Cllr. MD Morapedi
Cllr. J Mosito
Cllr. MD Mosolodi
Cllr. MW Motlhasedi
Cllr. BR Motswai
Cllr. NB Mhlanga
Cllr. WJ Muller
Cllr. EM Nkoe
Cllr. RP Padi
Cllr. EL Phago
Cllr. HT Phalwane
Cllr. J Pieterse
Cllr. P Pretorius
Cllr. AS Rakomane
Cllr. WS Ramaboa
Cllr. MM Ramahofu
Cllr. MM Ramila
Cllr. AD Ratlou
Cllr. GJ Rossouw
Cllr. MG Sadikge
Cllr. C Seabi
Cllr. CS Sekhoto
Cllr. KM Shalang
Cllr. GF Sithole
Cllr. EE Tanke
Cllr. P Thubisi
Cllr. KS Tlapu
Cllr. P Tshoela
Cllr. E Van der Schyff
Cllr. JC Van Rhyn
Cllr. EJ Barlow

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General Information

Accounting Officer (Acting)	Mr. N Seanego
Chief Finance Officer (Acting)	Mr T Lefutswe
Registered office	53 Van Velden Street Brits 0250
Postal address	PO Box 106 Brits 0250
Bankers	First National Bank
Auditors	Auditor General of South Africa

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MSCOA	Municipal Standard Chart Of Accounts
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PIC	Public Investment Corporation
SARS	South Africa Revenue Services
VAT	Value Added Tax
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme
EPWP	Expanded Public Works Programme
DORA	Division of Revenue Act
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
CFO	Chief Finance Officer
NPV	Net Present Value
PV	Present Value
VBS	Venda Building Society Mutual Bank

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Annual Financial Statements for the year ended June 30, 2021

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of the preparation of these annual financial statements, which are set out on pages 10 to 78, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2022 and, in the light of this review which considered the impact of Covid-19 and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting officer certify that the salaries, allowances and benefits of the councilors, loans made to councilor, if any, and payments made to councilors for loss office, if any, as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisioned in section 219 of the constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 10, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2021 and were signed on its behalf by:

Mr Noko Seanego
Acting Municipal Manager

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2021.

Mandatory Role of the Audit Committee

Section 166 of the MFMA (Act No. 56 of 2003) clearly states that each municipality must have an Audit Committee. The Audit Committee is an independent advisory body that advises council, political office bearers, accounting officer, and staff of the municipal on the following:

Internal financial control and internal audits;

Risk managements;

Accounting policies

The adequacy, reliability, and accuracy of financial reporting and information

Performance management;

Effective governance;

Compliance with the MFMA, the Division of Revenue Act (DoRA) and any other applicable legislation;

Performance evaluation;

Any other issues referred to by the municipality;

Review annual financial statement so as provided authoritative and credible view of the financial position, on overall compliance with MFMA, DoRA and other applicable legislations.

Respond to Council on any matter raised by Auditor-General (AGSA); and

Carry out such investigation into financial affairs of the municipality as may be prescribed from time to time.

Terms of Reference

The Audit Committee is properly structured in terms of MFMA and Corporate Governance guidelines and has adopted its written terms of reference included in the Audit Committee Charter approved by the Council.

Audit committee members and attendance

The Audit Committee consists of five (5) external members who have been appointed by the Council in August 2018 as per council resolution A. 0364. The following represent the number of meeting attended by each member.

Name of member	Number of meetings attended
Mrs F Mudau (Chairperson)	14
Mr V Chuene	14
Mr F Mokhabela	14
Mr J Matsho	14
Mr L Mohalaba (Resigned)	3

The Audit Committee met twice with the then and current Executive Mayor to escalate matters of concern to them. Special meetings were also held with Mr Paul Maseko, Section 139 Administrator, to convey similar message to him. The Committee further engaged with the Municipal Public Accounts Committee in the latter period of this year on matter of mutual interest, in particular regarding unauthorised, irregular and fruitless expenditure.

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Annual Financial Statements for the year ended June 30, 2021

Audit Committee Report

Effectiveness of internal Audit and internal controls

The Madibeng Local Municipality (MLM) has a functional Internal Audit Function reporting functionally to the Audit Committee and administratively to the Accounting Officer. The Chief Audit Executive has unrestricted access to the Chairperson of the Audit Committee to ensure independence of the function.

The Audit Committee is of the opinion that Internal Audit Function is operating satisfactorily to meet its mandate and has considered the risk pertinent to the municipality in their audit plans. The Audit Committee has approved the Three-Year Rolling Internal Audit Strategic Plan 2023 and Operational Plan 2021 and Internal Audit Charter to affirm its role, responsibilities and authority. Internal Audit reports regularly to the Audit Committee in its quarterly and special meetings.

Internal Control is a process for assuring the achievements of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws and regulations. Due to delays in finalising the 2019/20 audit process by the Auditor General, Internal Audit was unable to audit some areas in BTO, in particular the Supply Chain Management.

The following 15 audits were executed by Internal Audit and reports issued to the Audit Committee and Management:

- 1st Quarter PMS report (Municipal Manager's office)
- 2nd Quarter PMS report (Municipal Manager's office)
- 3rd Quarter PMS report (Municipal Manager's office)
- 4th Quarter PMS report (Municipal Manager's office)
- Covid-19 Compliance (Municipal Manager's office)
- Risk Management follow-up (Municipal Manager's office)
- Governance Review follow-up (Municipal Manager's office)
- Review of 2019/20 Annual Financial Statements (Budget and Treasury)
- Review of 2019/2020 Annual Performance Report (Budget and Treasury)
- Cash and cash equivalent (Budget and Treasury)
- Payroll (Budget and Treasury)
- Information Technology Audit (Corporate Support Services)
- Project Management (Infrastructure and Technical Services)
- Security Management (Public Safety)
- Unauthorised expenditure investigation (Human Settlement)

The Audit Committee can assert that the system of internal control was partially adequate and effective during the year under review as basic internal controls such as reconciliations and standard operating procedures and delegation of authorities were lacking. Furthermore, compliance with the prescribed policies and procedures were lacking in most instances.

The Committee further noted that the impact of COVID 19 with regard to revenue collections and entire operations. Internal Audit has assessed the controls framework and made recommendations to management through the Accounting Officer to implement the controls. This should be monitored through Top Management Meetings

Effectiveness of risk management

The Accounting officer is responsible for the establishment of an effective system of risk management within the municipality that is aligned to the principles of good corporate governance as supported by the MFMA Act 56 of 2003, the National Treasury Risk Management Framework, King III and King IV.

The Risk Management Committee is headed by an External Chairperson who meet with management and Internal Audit regularly. The Municipality has approved a risk management enabling documents (risk management policy, strategy, risk management action plan) and frameworks to discharge enterprise risk management effectively. The Integrity Management Framework as promulgated is in draft format and has been approved by Council. The Intergriy Committee has equally been established in line with the approved structure, it is expected to commence with its program from the 1st September 2021.

Effectiveness of performance management system

The high-level vacancy on senior management has affected the performance of the Municipality. Most vacancies on senior management are not filled and this matter has been escalated to the Administrator and Executive Mayor. The municipality continue to struggle on records management of portfolio of evidence with regard to PMS and compliance with applicable regulations. During the year, one assessment of senior management was conducted and management was urged to perform the second assessment. The PMS has not yet been cascaded to all levels in the Municipality

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Audit Committee Report

Quality of in-year reporting in & capacity of BTO

The Audit Committee was privy to some of monthly financial reports (Sec 71 reports) Budget and Treasury Office (BTO) for the financial year under review.

The BTO has registered some improvements with regard to quality of financial reports submitted to Audit Committee and thus very commendable. However, the AC remain concern about the capacity of BTO to use consultants for audit support purposes without deriving any value.

Combined assurance

The municipality has established a Combined Assurance Framework in the office of the Chief Audit Executive. During the year, the Combined Assurance Committee met twice to review policies and framework and its related activities. The revised Combined Assurance Framework and Implementation has been referred to Council for approval. The Municipality has developed the Assurance MAP which is monitored by Internal Audit to ensure optimal usage of resources

Review of the Annual Financial Statements

The Audit Committee has in consultation with management reviewed the following:

- Audit engagement letter and audit strategy;
- The Annual Performance report;
- Audited Annual Financial Statements to be included to the Annual Report; and
- Significant adjustments resulting from the audit process.
- Auditor General of South Africa's management letter and management responses thereto and the Audit Report.

Th Audit Committee implore with management to prepare improved post audit action plan and implement it immediately..

Appreciation

The Audit Committee expresses its sincere appreciation to the offices of the Administrator, the Executive Mayor, the Speaker, the Chief Whip, Acting Municipal Manager, Management and all officials for the unwavering support and interest in the activities of the Committee during the year under review. The advice and support of advise and support of other stakeholders such as the Internal Audit Function, Auditor-General South Africa, Provincial and National Treasuries and the Provincial Department: Local Government and Human Settlement is also acknowledged in pursuing the interest of the effective Corporate Governance and clean audit outcomes with the municipality.

We extend our gratitude to the Internal Audit unit for their efforts during the year. The Audit Committee remains confident beyond the term of our contract that the matters raised in this report will be receiving due consideration and intervention by Council. The Audit Committee Chairperson further appreciates the consummate professionalism and commitment of the outgoing members and also wishes the outgoing councillors well in their future endeavours.

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Annual Financial Statements for the year ended June 30, 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2021.

1. Review of activities

Main business and operations

The municipality is engaged in municipal services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 3,693,372,719 and that the municipality's total assets exceed its liabilities by R 3,693,372,719.

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

The Municipality adopted an unfunded budget for the 2020/21 financial year, and to address this, a financial plan was compiled and tabled with Adjustments Budget On 30 September 2021.

3. Subsequent events

After the end of the 30 June 2021. A new acting CFO was appointed.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interest in contracts awarded.

5. Accounting policies

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

6. COVID 19 Impact

During the 2020/21 financial year, the coronavirus pandemic remained a national disaster due to its rising rate and scale of infections observed. At year end management assessed the impact of this pandemic on income, expenditure, assets and liabilities no material effects were identified in these balances .

7. Corporate governance

The Council

The municipality is under section 139(1)(b) of the Constitution and the executive mayor was changed during the 2020/21 financial period from Ms J Mothibe to Mr J Ratlou. This change did not affect the operations and functionality of the Council.

Fruitless and wasteful expenditure

The current year fruitless and wasteful expenditure amounting to R17 364 909.41 relates to interest charge on late payment of invoices from Eskom, Rand Water (R363 154.23), Auditor-General South Africa (R672 961.88), City of Tshwane (R4 468 799.40) and SARS (R97 215.57) and Department of Water and Sanitation (R3 011 710.95)

Remuneration

The remuneration of the Accounting Officer and section 56 managers are determined by the upper limits for the senior managers.

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Accounting Officer's Report

Audit committee

Mrs F Mudau was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the Audit Committee. National Treasury policy requires the municipalities should appoint further members of the municipality's audit committees who are not councilors of the municipality onto the audit committee.

Internal audit

The municipality has an independent internal audit function. This is in compliance the Municipal Finance Management Act, 2003.

The chief audit executive is Mr. M. Mmapheto

8. Bankers

The Municipality primary bank is First National Bank.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

10. Public Private Partnership

During the financial period under review, Madibeng Local Municipality did not enter into any public Private Partnerships.

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Annual Financial Statements for the year ended June 30, 2021

Statement of Financial Position as at June 30, 2021

Figures in Rand	Notes	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	22,376,663	19,305,300
Other financial assets	4	3,279,416	7,955,746
Other receivables from exchange transactions		26,596,116	17,025,754
Receivables from non-exchange transactions	5	203,479,113	99,426,319
Non-current assets held for sale	60	10,330,000	-
VAT receivable		17,078,257	-
Prepayments		80,833	-
Receivables from exchange transactions	6	345,652,881	212,185,669
Cash and cash equivalency	7	124,341,891	234,512,675
		753,215,170	590,411,463
Non-Current Assets			
Investment property	8	84,665,000	86,550,000
Property, plant and equipment	9	4,908,322,754	4,900,072,479
Intangible assets	10	700,861	2,330,245
Heritage assets	11	10,100	10,100
		4,993,698,715	4,988,962,824
Total Assets		5,746,913,885	5,579,374,287
Liabilities			
Current Liabilities			
Other financial liabilities	12	325,279,924	325,279,924
Finance lease obligation	13	5,601,087	5,106,176
Operating lease liability	14	23,405,984	20,806,235
Payables from exchange transactions	15	1,472,115,145	1,556,199,969
VAT payable	16	-	4,465,669
Consumer deposits	17	40,296,517	40,046,822
Unspent conditional grants and receipts	18	6,523,523	140,269,837
		1,873,222,180	2,092,174,632
Non-Current Liabilities			
Employee benefit obligation	19	154,762,000	145,039,000
Provisions	20	25,556,986	23,527,078
		180,318,986	168,566,078
Total Liabilities		2,053,541,166	2,260,740,710
Net Assets		3,693,372,719	3,318,633,577
Accumulated surplus		3,693,372,719	3,318,633,577

* See Note 58

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Annual Financial Statements for the year ended June 30, 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	809,553,614	755,489,615
Rental of facilities and equipment	22	4,952,056	1,211,724
Income from agency services	23	12,591,289	11,009,754
Licences and permits	24	4,794,813	5,671,150
Other operational revenue	25	22,119,444	8,322,735
Interest received from debtors	26	114,823,214	130,798,400
Interest received from investments	26	5,694,166	3,976,364
Total revenue from exchange transactions		974,528,596	916,479,742
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	336,842,895	338,145,245
Transfer revenue			
Government grants & subsidies	28	1,300,617,679	862,856,435
Fines, Penalties and Forfeits	29	3,006,263	4,091,034
Total revenue from non-exchange transactions		1,640,466,837	1,205,092,714
Total revenue	40	2,614,995,433	2,121,572,456
Expenditure			
Employee related costs	30	(591,552,987)	(569,816,216)
Remuneration of councillors	31	(31,659,914)	(31,862,041)
Depreciation and amortisation	32	(322,896,696)	(324,630,639)
Finance costs	33	(40,221,661)	(41,871,883)
Lease rentals on operating lease	34	(40,633,661)	(89,074,016)
Debt impairment	35	(49,958,920)	(434,170,002)
Bulk purchases	36	(765,999,443)	(642,394,699)
Contracted services	37	(135,095,102)	(122,342,400)
Other operational expenses	38	(332,101,493)	(271,483,804)
Transfers and subsidies		(660,565)	(455,828)
Total expenditure		(2,310,780,442)	(2,528,101,528)
Operating surplus (deficit)	53	304,214,991	(406,529,072)
Loss on disposal of assets and liabilities		(2,069,315)	(10,504,214)
Fair value adjustments	39	(412,625)	(386,107)
Actuarial gains/losses	19	18,254,765	58,682,844
Gain(loss) on landfill site provision		(2,029,908)	(6,737,241)
Impairment loss		(2,842,722)	-
		10,900,195	41,055,282
Surplus (deficit) for the year		315,115,186	(365,473,790)

* See Note 58

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Annual Financial Statements for the year ended June 30, 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2019	3,684,107,367	3,684,107,367
Changes in net assets		
Deficit for the year	(365,473,790)	(365,473,790)
Total changes	(365,473,790)	(365,473,790)
Restated* Balance at July 1, 2020	3,378,257,533	3,378,257,533
Changes in net assets		
Deficit for the year	315,115,186	315,115,186
Total changes	315,115,186	315,115,186
Balance at June 30, 2021	3,693,372,719	3,693,372,719

* See Note 58

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Annual Financial Statements for the year ended June 30, 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Rates & Taxes		204,731,853	195,472,822
Sale of goods and services		809,553,614	419,482,185
Grants		1,166,871,365	861,466,207
Interest income		120,517,380	3,976,364
Other receipts		12,549,082	26,024,636
		<u>2,314,223,294</u>	<u>1,506,422,214</u>
Payments			
Employee costs		(630,295,614)	(596,274,819)
Suppliers		(724,542,534)	(582,546,253)
Finance costs		(40,221,661)	(332,960)
Other payments		(660,565)	(455,828)
		<u>(1,395,720,374)</u>	<u>(1,179,609,860)</u>
Net cash flows from operating activities	42	<u>918,502,920</u>	<u>326,812,354</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(343,459,620)	(147,475,888)
Purchase of investment property	8	(690,908,250)	(16,516,227)
Proceeds from sale of investment	8	-	13,225,782
Net cash flows from investing activities		<u>(1,028,673,704)</u>	<u>(117,706,077)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(110,170,784)</u>	<u>209,106,277</u>
Cash and cash equivalents at the beginning of the year		234,512,675	25,406,398
Cash and cash equivalents at the end of the year	7	<u>124,341,891</u>	<u>234,512,675</u>

* See Note 58

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Annual Financial Statements for the year ended June 30, 2021

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	750,149,501	191,071,563	941,221,064	809,553,614	(131,667,450)	59
Rental of facilities and equipment	1,034,240	5,000,000	6,034,240	4,952,056	(1,082,184)	
Agency services	12,000,000	-	12,000,000	12,591,289	591,289	
Licences and permits	1,199,301	(717,584)	481,717	4,794,813	4,313,096	
Other operational revenue	3,753,611	1,655,089	5,408,700	22,119,444	16,710,744	
Interest received - outstanding debtors	131,456,865	(393,801)	131,063,064	114,823,214	(16,239,850)	59
Interest received on investments	4,066,758	688,500	4,755,258	5,694,166	938,908	
Total revenue from exchange transactions	903,660,276	197,303,767	1,100,964,043	974,528,596	(126,435,447)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	369,015,426	(61,574,978)	307,440,448	336,842,895	29,402,447	59
Transfer revenue						
Transfers & subsidies	788,035,583	126,176,400	914,211,983	1,300,617,679	386,405,696	59
Fines, Penalties and Forfeits	500,300	(499,054)	1,246	3,006,263	3,005,017	
Total revenue from non-exchange transactions	1,157,551,309	64,102,368	1,221,653,677	1,640,466,837	418,813,160	
Expenditure						
Employee related costs	(558,802,602)	(49,647,863)	(608,450,465)	(591,552,987)	16,897,478	59
Remuneration of councillors	(31,633,142)	(1,950)	(31,635,092)	(31,659,914)	(24,822)	
Depreciation	(485,000,000)	-	(485,000,000)	(322,896,696)	162,103,304	
Impairment loss/ Reversal of impairments	-	-	-	(2,842,722)	(2,842,722)	
Finance costs	(135,500,100)	(6,000)	(135,506,100)	(40,221,661)	95,284,439	
Debt Impairment	(200,000,000)	-	(200,000,000)	(49,958,920)	150,041,080	59
Bulk purchases	(707,833,763)	(134,355,000)	(842,188,763)	(765,999,443)	76,189,320	
Contracted services	(143,595,927)	463,600	(143,132,327)	(135,095,102)	8,037,225	
Transfers and grants	(4,700,000)	(1,000,000)	(5,700,000)	(660,565)	5,039,435	
Other operational expenditure	(195,408,735)	450,000	(194,958,735)	(654,309,365)	(459,350,630)	
Total expenditure	(2,462,474,269)	(184,097,213)	(2,646,571,482)	(2,595,197,375)	51,374,107	
Operating (deficit)/surplus	(401,262,684)	77,308,922	(323,953,762)	19,798,058	343,751,820	
Transfers and subsidies - capital	281,482,417	(28,934,000)	252,548,417	(2,069,315)	(254,617,732)	
Fair value adjustments	-	-	-	(412,625)	(412,625)	
Actuarial gains/losses	-	-	-	18,254,765	18,254,765	
Gain/(loss) on provision for landfill closure	-	-	-	(2,029,908)	(2,029,908)	
	281,482,417	(28,934,000)	252,548,417	13,742,917	(238,805,500)	
Surplus/(deficit)	(119,780,267)	48,374,922	(71,405,345)	33,540,975	104,946,320	

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(119,780,267)	48,374,922	(71,405,345)	33,540,975	104,946,320	

Madibeng Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	369,015,426	(61,574,978)	307,440,448	-	-	307,440,448	336,842,895	-	29,402,447	110 %	91 %
Service charges	750,149,501	191,071,563	941,221,064	-	-	941,221,064	809,553,614	-	(131,667,450)	86 %	108 %
Investment revenue	135,523,623	294,699	135,818,322	-	-	135,818,322	120,517,380	-	(15,300,942)	89 %	89 %
Transfers recognised - operational	788,035,583	126,176,400	914,211,983	-	-	914,211,983	904,888,000	-	(9,323,983)	99 %	115 %
Other own revenue	18,487,452	5,438,451	23,925,903	-	-	23,925,903	65,891,005	-	41,965,102	275 %	356 %
Total revenue (excluding capital transfers and contributions)	2,061,211,585	261,406,135	2,322,617,720	-	-	2,322,617,720	2,237,692,894	-	(84,924,826)	96 %	109 %
Employee costs	(558,802,602)	(49,647,863)	(608,450,465)	-	-	(608,450,465)	(591,552,987)	-	16,897,478	97 %	106 %
Remuneration of councillors	(31,633,142)	(1,950)	(31,635,092)	-	-	(31,635,092)	(31,659,914)	-	(24,822)	100 %	100 %
Debt impairment	(200,000,000)	-	(200,000,000)	-	-	(200,000,000)	(49,958,920)	-	150,041,080	25 %	25 %
Depreciation and asset impairment	(485,000,000)	-	(485,000,000)	-	-	(485,000,000)	(325,739,418)	-	159,260,582	67 %	67 %
Finance charges	(135,500,100)	(6,000)	(135,506,100)	-	-	(135,506,100)	(40,221,661)	-	95,284,439	30 %	30 %
Bulk purchases	(707,833,763)	(134,355,000)	(842,188,763)	-	(11,874,000)	(854,062,763)	(765,999,443)	-	88,063,320	90 %	108 %
Transfers and grants	(4,700,000)	(1,000,000)	(5,700,000)	-	-	(5,700,000)	(660,565)	-	5,039,435	12 %	14 %
Other expenditure	(339,004,662)	913,600	(338,091,062)	-	8,040,000	(330,051,062)	(512,514,479)	-	(182,463,417)	155 %	151 %
Total expenditure	(2,462,474,269)	(184,097,213)	(2,646,571,482)	-	(3,834,000)	(2,650,405,482)	(2,318,307,387)	-	332,098,095	87 %	94 %
Surplus/(Deficit)	(401,262,684)	77,308,922	(323,953,762)	-	-	(327,787,762)	(80,614,493)	-	247,173,269	25 %	20 %

Madibeng Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	281,482,417	(28,934,000)	252,548,417	816,000		253,364,417	395,729,679		142,365,262	156 %	141 %
Surplus (Deficit) after capital transfers and contributions	(119,780,267)	48,374,922	(71,405,345)	816,000		(74,423,345)	315,115,186		389,538,531	(423)%	(263)%
Surplus/(Deficit) for the year	(119,780,267)	48,374,922	(71,405,345)	816,000		(74,423,345)	315,115,186		389,538,531	(423)%	(263)%

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the section 126(1) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for receivables is calculated on a portfolio basis.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 (for example, over-the counter derivatives) 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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in the 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 from other assets or liabilities. If there are indications that an impairment may have occurred, the 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factor, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in the circumstances suggest that the carrying amount may not be recoverable. If there are indications that an impairment may have occurred, the remaining service potential of the asset is determined. The most approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is based on assessment of individual accounts.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.4 Investment property

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 property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than held to meet the service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations or administration purposes.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of an investment property. However, if the investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), 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.

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

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are carried out annually by the external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of specific asset. Changes in the fair value are recorded as part of the statement of financial performance as part of the surplus and deficit.

Where the classification of the investment property is based on management's judgment, the following criteria must have been applied to distinguish investment property from the owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment properties.
- land carried for currently undetermined use.
- a building owned or leased out under one or more operating leases.
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but also generate revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but to be leased out to one or more operating leases.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

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.

Property interests held under operating leases are classified and accounted for as investment property.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from the property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.4 Investment property (continued)

Fair value

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are carried out annually by the external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of specific asset. Changes in the fair value are recorded as part of the statement of financial performance as part of the surplus and deficit.

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 entity 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 entity 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 entity 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 entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity 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.

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. Subsequent to initial recognition the property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 - 80 years
Plant and machinery	Straight line	5 - 17 years
Furniture and fixtures	Straight line	5 - 17 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	3 - 12 years
Computer equipment	Straight line	3 - 12 years
Bins and Containers	Straight line	7 - 15 years
Infrastructure		
Road surface layers	Straight line	7 - 50 years
Road structural layers	Straight line	7 - 50 years
Bridges	Straight line	60 - 80 years
Culverts	Straight line	15 years
Storm water	Straight line	50 - 80 years
Electricity	Straight line	30 - 50 years
Water assets	Straight line	40 - 80 years
Sewer pipes	Straight line	80 years
Community		
Buildings	Straight line	30 - 50 years
Sports fields	Straight line	7 - 15 years

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

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.

Madibeng Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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 9).

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

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

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

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

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

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

1.8 Heritage assets

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

Recognition

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.8 Heritage assets (continued)

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.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables's from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Public Investment Corporation	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payable from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Payables from non-exchange transaction	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- 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, an 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.

Short term receivables and payables are not discounted where initial credit period granted or received is consistent with the terms in public sector, either

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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1.9 Financial instruments (continued)

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 directly 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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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 entity 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).

1.10 Statutory receivables

Identification

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1.10 Statutory receivables (continued)

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.

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.

1.11 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.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period which they are incurred.

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Accounting Policies

1.12 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in the manner that adopted by a profit-orientated entity.

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

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.

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1.13 Impairment of cash-generating assets (continued)

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.

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.

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

In allocating an impairment loss, the entity 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 assesses 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.

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

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

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

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

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.

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 tests 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.

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.

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

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Madibeng Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Madibeng Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality's liability is based on actuarial valuation. The Projected Unit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.16 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments includes expenditure committed but not yet incurred. Commitments are catergorised as follows:

- Commitments approved and contracted for,
- Commitments approved but not yet contracted for

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Madibeng Local Municipality

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Accounting Policies

1.18 Revenue from exchange transactions

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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Consumption based revenue from exchanged transactions is determined using the services meter reader. However, meter reading were no longer performed, the average of the previous three months actual reading is used.

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.

Interest 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.

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

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, condition or obligation have not been met a liability is recognised.

Measurement

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Property rates

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.

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

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

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

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Revenue from the issuing of fines is recognised when the definition of an asset is met or 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,
- measurement and best estimates used
- when fines are collected in the capacity of an agent.

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are to the settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors. Revenue is then measured at fair value of the consideration received or receivable, net of estimated settlement discounts.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality 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 municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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, the fair value of the assets can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, the revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Government grants

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of available evidence. Certain grants payable by one level of government to another are subject to availability of funds. Revenue from these grants is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of the financial year that grants may be available for qualifying entities in accordance with the agreed programme may not be sufficient evidence of the probability of the flow.

Restrictions on government grants may result in such revenue being recognised on a time proportionate basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remits the grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.21 Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grants

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.22 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.

1.23 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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.23 Accounting by principals and agents (continued)

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 a 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.

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

1.24 Grants in aid

The municipality transfers funds to individuals, organisations and other sections of the government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected in an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.25 Comparative figures

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standards Chart of Accounts (MSCOA). The reclassification have not impact of the net asset value of the municipality.

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

1.26 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.27 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. 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.

1.28 Irregular expenditure

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

1.29 Use of estimate

The preparation of annual financial statements in conformity with the standards of GRAP requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.30 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Disclosure are required in respect of unrecognised contractual commitments. Commitments for which disclosures is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met; contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and contracts should relate to something other than the routine, steady, state business of the municipality - therefore, salary commitments relating to employment contracts or social security benefit commitments are excluded.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statements 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; and
- where disclosure is required by a specific standard of GRAP

1.31 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.32 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.33 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to it's recoverable amount and an impairment loss is charged to the statement of financial performance

1.34 Revenue from conditional grants

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, obligations or obligations have been met a liability is recognised.

1.35 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.

Madibeng Local Municipality

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Accounting Policies

1.35 Segment information (continued)

Measurement

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

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

1.36 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development 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.

1.37 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2020 to 6/30/2021.

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

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

1.38 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 ventures).

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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Accounting Policies

1.38 Related parties (continued)

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 annual financial statements.

1.39 Events after reporting date

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

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

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

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

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.40 Value-added tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No. 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. Value-added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Madibeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 18: Segment Reporting	1 April 2020	No impact
IGRAP 20: Adjustment to Revenue	1 April 2020	No impact
GRAP 34: Separate Financial Statements	1 April 2020	No impact
GRAP 35: Consolidated Financial Statements	1 April 2020	No impact
GRAP 36: Investment in associates and joint ventures	1 April 2020	No impact
GRAP 37: Joint Arrangements	1 April 2020	No impact
GRAP 38: Disclosure of interests in other entities	1 April 2020	No impact
GRAP 110: Living and Non-living Resources	1 April 2020	No impact

3. Inventories

Consumables stores	21,719,880	18,785,351
Water for distribution	646,465	509,631
Unsold Properties	10,318	10,318
	22,376,663	19,305,300

Reconciliation of Consumables Stores

Opening Balance	18,785,352	11,576,977
Purchases	29,448,181	28,044,890
Issues	(22,913,565)	(19,612,544)
Inventory written off	(3,618,556)	(1,223,971)
	21,701,412	18,785,352

Reconciliation of Water for distribution

Opening balance	4,845,511	487,354
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Reconciliation of Unsold Properties

Opening balance	10,318	10,318
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Inventory pledged as security

None of the inventory have been pledged as security.

4. Other financial assets

Designated at fair value

Listed shares-Sanlam Limited,Old Mutual limited; Quilter PLC; Nedbank Group Limited	1,597,121	1,417,189
Unit trusts- Fairbairn Capital	-	4,856,261
Other investments- Old Mutual limited	1,682,296	1,682,296
	3,279,417	7,955,746

None of the other financial assets of the municipality have been pledged as security.

Madibeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Other financial assets (continued)		
Reconciliation of listed shares		
Opening balance	1,417,189	2,057,670
Fair value gains (losses) for the year	179,932	(640,481)
	1,597,121	1,417,189
Reconciliation of Unit Trusts		
Opening Balance	4,856,261	10,346,829
Disposed during the year	(4,848,705)	(5,744,941)
Interest earned for the year	(7,556)	254,373
	-	4,856,261
Reconciliation of other Investments		
Opening balance	1,682,296	1,682,296
Current assets		
Fair value	3,279,416	7,955,746
5. Receivables from non-exchange transactions		
Fines	23,771,707	16,868,359
Rates	956,107,245	861,197,415
Sundry debtors	20,525,810	3,138,463
Allowance for impairment	(816,600,766)	(799,991,614)
Unauthorised debit orders	19,675,117	18,213,696
	203,479,113	99,426,319
<p>Property rates were impaired in accordance with GRAP 108, Statutory Receivables. An allowance of impairment is the excess of receivables carrying amount over discounted cashflows from the statutory receivables.</p> <p>The expected cashflows were discounted at a risk-free-rate set as the yield of the South African bond at reporting date. The discount rate was adjusted with a risk premium derived from risk allocated to individual or a category of receivables. Key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period included: receivables that are more than 90 days outstanding, economic downturn due to covid-19 corona virus, indigent status of a receivable, the last date a customer made a payment to the municipality and receivables payment arrangements.</p>		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	849,916,667	716,160,017
Allowance for impairment	-	133,756,650
	849,916,667	849,916,667
6. Receivables from exchange transactions		
Gross balances		
Electricity	308,513,011	382,685,686
Water	911,753,410	788,302,110
Sewerage	292,804,575	248,821,567
Refuse	272,389,757	228,976,950
Other	129,367,751	99,254,048
	1,914,828,504	1,748,040,361

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(293,008,335)	(287,639,716)
Water	(730,845,924)	(714,979,960)
Sewerage	(235,007,624)	(229,912,357)
Refuse	(217,310,502)	(212,570,626)
Other	(93,003,238)	(90,752,033)
	(1,569,175,623)	(1,535,854,692)
Net balance		
Electricity	15,504,676	95,045,970
Water	180,907,486	73,322,150
Sewerage	57,796,951	18,909,210
Refuse	55,079,255	16,406,324
Other	36,364,513	8,502,015
	345,652,881	212,185,669
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,535,854,692)	(1,200,754,717)
Contributions to allowance	(49,958,920)	(335,099,975)
	(1,585,813,612)	(1,535,854,692)
Statutory receivables general information		
Consumer debtors pledged as security		
None of the consumer debtors have been pledged as security.		
7. Cash and cash equivalency		
Cash and cash equivalency consist of:		
Bank balances	79,039,120	41,411,109
Short-term deposits	45,302,771	193,101,566
	124,341,891	234,512,675

During the 2018/2019 financial year end VBS Mutual Bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The Reserve Bank then placed the bank under curatorship. The municipality had a short term deposit of R31 504 247.62. The municipality accounts for short term deposits as financial assets at amortised cost. The curator and National Treasury did not offer any guarantees to the municipality. The municipality resolved in the 2018/2019 financial year to fully impair the investment of R31 504 247.62 since there are no future cashflow expected from VBS Mutual Bank Investment. As at the end of the 30 June 2020 financial year end the municipality is still awaiting the outcome of the curator and National Treasury.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

7. Cash and cash equivalency (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
ABSA Cheque account - 640000376	-	5,116,239	33,714,769	16,035,238
FNB Cheque account - Licensing 62547263103	4,405,264	3,196,079	4,405,563	3,196,378
FNB Cheque account - Primary account 62547261602	29,657,992	11,053,133	30,486,549	11,910,520
FNB FMG call account - 62550510153	2,218,802	2,152,969	2,218,802	2,152,969
FNB INEP Call account - 625593130003	105,588	351,000	105,588	351,000
FNB EPWP Call account - 62564478016	2,816,576	7,486,644	2,816,576	7,486,644
FNB Call Account EQS- 62564475210	2,326,007	2,233,953	23,226,007	2,233,953
FNB Call Account MIG Retention - 62564479585	36,621,001	396,414	36,621,001	396,414
FNB Call Account MIG - 62576598323	30,587	179,415,584	30,587	179,415,584
FNB Cheque account - Traffic 62547269672	-	-	-	(342)
FNB Cheque account - Consumer 62547274423	-	-	10,349,679	10,188,106
Investec account 14000189013500	1,184,212	1,146,214	1,184,212	1,146,214
Total	79,366,029	212,548,229	145,159,333	234,512,678

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	84,665,000	-	84,665,000	86,550,000	-	86,550,000

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	86,550,000	(1,300,000)	(585,000)	84,665,000

Reconciliation of investment property - 2020

	Opening balance	Disposals	Total
Investment property	89,715,000	(3,165,000)	86,550,000

Valuator

The investment property was valuated by Stefan Rudman who holds a National Diploma Real Estate (Property Valuations) and he is register with the Institute of Valuers of South Africa (registration number :3693/05).

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.

The type of property will determine the method of valuation.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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8. Investment property (continued)

1. Comparable Sales method

The Comparable Sales Method estimates the value of a property by examining the other properties that have been sold within a recent timeframe

2. Discounted cash flow method of valuation (DCF)

In finance, discounted cash flow (DCF) analysis is a method of valuing an asset (property) using the concepts of the time value of money. All future cash flows are estimated and discounted by using the cost of capital to give their present values (PVs). The sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value of the cash flows in question.

Using the DCF analysis to compute the NPV takes input cash flows and a discount rate to give us as output a present value. The opposite process - takes cash flows and a price (present value) as inputs, and provides as output the discount rate _ this is used in bond markets to obtain the yield.

Discounted cash flow analysis are widely used in investment finance, real estate development, corporate financial management and patent valuation. It was used in industry as early as the 1700s or 1800s, widely discussed in financial economics in the 1960s, and became widely used in the U.S. Courts in 1980s and 1990s.

Income and Expenditure

Aggregate of items valued using deemed cost	-	1,211,725
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Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	937,665,658	-	937,665,658	946,695,658	-	946,695,658
Buildings	151,882,973	(46,936,035)	104,946,938	151,882,973	(42,047,496)	109,835,477
Infrastructure	7,952,385,018	(4,649,667,265)	3,302,717,753	7,729,204,103	(4,358,268,629)	3,370,935,474
Community	198,575,415	(52,416,281)	146,159,134	198,575,415	(45,900,875)	152,674,540
Work in progress	376,678,099	-	376,678,099	269,234,196	-	269,234,196
Other property, plant and equipment	100,179,523	(60,024,351)	40,155,172	99,528,844	(48,831,710)	50,697,134
Total	9,717,366,686	(4,809,043,932)	4,908,322,754	9,395,121,189	(4,495,048,710)	4,900,072,479

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	946,695,658	-	-	-	(9,030,000)	-	-	-	937,665,658
Buildings	109,835,477	-	-	-	-	-	(4,888,539)	-	104,946,938
Infrastructure	3,370,935,474	-	-	(1,588,734)	-	234,650,886	(298,459,788)	(2,820,087)	3,302,717,753
Community	152,674,540	-	-	-	-	-	(6,515,406)	-	146,159,134
Work in progress	269,234,196	-	342,094,789	-	-	(234,650,886)	-	-	376,678,099
Other property, plant and equipment	50,697,134	1,364,831	-	(480,581)	-	-	(11,403,577)	(22,635)	40,155,172
	4,900,072,479	1,364,831	342,094,789	(2,069,315)	(9,030,000)	-	(321,267,310)	(2,842,722)	4,908,322,754

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	946,695,658	-	-	-	-	946,695,658
Buildings	114,827,228	-	(84,965)	-	(4,906,786)	109,835,477
Infrastructure	3,542,185,029	2,034,841	(3,538,205)	123,888,068	(293,634,250)	3,370,935,474
Community	160,782,518	-	(1,505,953)	-	(6,602,025)	152,674,540
Work in progress	249,101,955	144,020,309	-	(123,888,068)	-	269,234,196
Other property, plant and equipment	63,804,002	1,420,738	(2,210,090)	-	(12,317,516)	50,697,134
	5,077,396,390	147,475,888	(7,339,213)	-	(317,460,577)	4,900,072,479

Pledged as security

None of the property, plant and equipment have been pledged as security.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Work in progress halted projects

The below list represents work in progress projects that are taking longer than expected to complete:

Repairs and maintenance

Repairs and maintenance	88,220,953	106,299,154
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Assets write-off

During physical verification moveable assets amounting to a Net Book Value of R2.2 million could not be found on the floor and have been De-recognised from the Fixed Asset Register. Management is investigating this issue to ensure accountability by the assets custodians and to recover any financial loss. Report on the investigation will be submitted to Council with the list of assets not verified.

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.

10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	4,888,156	(4,187,295)	700,861	4,888,156	(2,557,911)	2,330,245

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, internally generated	2,330,245	(1,629,384)	700,861

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, internally generated	3,964,094	(1,633,849)	2,330,245

Pledged as security

None of the intangible assets have been pledged as security:

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	10,100	-	10,100	10,100	-	10,100

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

11. Heritage assets (continued)

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	10,100	10,100

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	10,100	10,100

Pledged as security

None of the heritage assets pledged as security.

12. Other financial liabilities

At amortised cost

Public Investment Corporation	325,279,924	325,279,924
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Interest at 10% which has been capped to the capital amount of R162 639 962

The municipality received bonds from PIC prior to 1994 and no repayment were made which led to legal dispute. The municipality has been accounting for this loan under contingent liabilities until it lost the case at Constitutional Court. This loan should have been accounted for as loan in the statement of financial position hence it is now treated as prior period error.

Current liabilities

Public Investment Corporation (PIC)	325,279,924	325,279,924
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13. Finance lease obligation

Minimum lease payments due

- within one year	5,601,087	5,382,000
	5,601,087	5,382,000
less: future finance charges	-	(275,824)
Present value of minimum lease payments	5,601,087	5,106,176

Present value of minimum lease payments due

- within one year	-	5,106,176
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It is municipality policy to lease certain Fuel Depot tanks under finance leases.

The fuel depot tanks were leased with Balimi Barui over the lease term was 3 years, the lease term commencement date is 1 September 2017, with monthly repayments of R390 000.00 and an incremental borrowing rate 9% (2019: 9%).

14. Operating lease liability (accrual)

Current liabilities	(23,405,984)	(20,806,235)
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It is the policy of the municipality to lease certain fleet management services from Bertobrite under a three year contract.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

15. Payables from exchange transactions

Trade payables	1,015,061,963	1,130,126,805
Payments received in advance	190,799,591	189,856,937
Retentions	75,343,192	52,263,387
Unallocated deposits	114,355,256	114,809,122
Bonus Accrual	12,788,424	12,124,772
Leave Accrual	51,307,007	44,559,234
Salaries third party payments	12,459,712	12,459,712
	1,472,115,145	1,556,199,969

16. VAT payable

VAT claimable by SARS	-	4,465,669
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17. Consumer deposits

Consumer deposits	40,296,517	40,046,822
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Reconciliation of consumer deposits

Opening Balance	40,046,822	40,807,312
Movement for the period	(1,275,516)	(760,490)
	38,771,306	40,046,822

Classes of consumer debtors

Electricity	39,867,464	40,045,216
Housing	-	1,606
	39,867,464	40,046,822

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	5,656,477	140,038,757
Library grant	867,046	231,080
	6,523,523	140,269,837

Movement during the year

Balance at the beginning of the year	140,269,837	16,794,331
Additions during the year	265,688,106	290,726,665
Income recognition during the year	(399,434,420)	(167,251,159)
	6,523,523	140,269,837

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

19. Employee benefit obligations

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

Carrying value

Post medical aid retirement benefit plan	(124,216,000)	(119,780,000)
Long term service award	(30,546,000)	(25,259,000)
	(154,762,000)	(145,039,000)

Post retirement medical aid plan

The municipality offers employees and continuation members an opportunity of belonging to any of the several medical aid schemes, most of which offer a range of options pertaining to cover.

Upon retirement, an employee continues membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the scheme.

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

Opening balance	119,780,000	155,978,249
Benefits paid	(3,769,000)	(4,134,681)
Net expense recognised in the statement of financial performance	8,205,000	(32,063,568)
	124,216,000	119,780,000

Net expense recognised in the statement of financial performance

Current service cost	5,095,000	11,245,352
Interest cost	15,230,000	16,122,587
Actuarial (gains) losses	(12,120,000)	(19,465,724)
Restatement of the opening balances	-	(39,965,783)
	8,205,000	(32,063,568)

Key assumptions used

GRAP 25 requires that financial assumptions be based on market based assumptions at the valuation date for the period over which the liability obligations are to be settled.

Assumptions used at the reporting date are as follows:

Discount rates used	Yield curve	Yield curve
Medical Aid Contribution Inflation	CPI+1.5%	CPI+1.5%
Net Effective Discount rate	Yield curve based	Yield curve based

Medical Aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1.5% per annum over the foreseeable future.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

19. Employee benefit obligations (continued)

Average Retirement age

The average retirement age for all active employees was assumed to be 63 years for males and 63 for females. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. This is in line with the assumption used by the previous actuary. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

19. Employee benefit obligations (continued)

Long services Award

Changes in the present value of the long service award obligations are as follows:

Opening balance (restated)	25,259,000	22,005,906
Current service cost	2,305,000	2,045,418
Interest cost	3,011,000	1,782,478
Benefits paid	(1,845,000)	(1,345,532)
Actuarial (gains) losses	1,816,000	(496,677)
Prior period adjustment on actuarial (gains) losses	-	1,267,407
	30,546,000	25,259,000
Current liabilities	3,380,000	2,119,000
Non-current liabilities	27,166,000	23,140,000
	30,546,000	25,259,000

Key assumptions used

In estimating the unfunded liability for Long service award of the municipality a number of actuarial assumptions are required. GRAP 25 places responsibility on management to set these assumptions as guided by the principles set out in the statement and in discussion with the Actuary.

It should be noted that the valuation method and assumptions used do not ultimately cost the long service award, this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future service costs are recognised over time.

Assumptions used at the reporting date are as follows .

Discount rates used	Yield curve	Yield curve
Normal salary increase rate	CPI+1.5%	CPI+1.5%
Net Effective Discount rate	Yield curve based	Yield curve based

Average Retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Normal Salary inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. We have assumed that the previous year's increase rate of 6.25 % is still relevant in this year's valuation. The next salary increase was assumed to take place on 01 July 2021.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

20. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Provision for the restoration of landfill site	23,527,078	2,029,908	25,556,986

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Provision for the restoration of landfill site	16,789,837	6,737,241	23,527,078

The provision for the final rehabilitation and closure costs for the Hartbeesfontein landfill was calculated by ESS, based on the General Landfill Closure Costing Model (GLCCM). The Hartbeesfontein landfill is situated on Portion 37 (a portion of portion 33) of the farm Hartbeesfontein 445 JQ, District Brits, approximately 8.8 km South-East of Madibeng Local Municipality.

Key assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 2.4107%.

Discount rate

GRAP 19 states that where the effect of the time value for money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5% above CPI.

21. Service charges

Sale of electricity	525,145,815	478,541,356
Sale of water	173,851,081	169,638,967
Sewerage and sanitation charges	54,978,877	53,042,489
Refuse removal	55,577,841	54,266,803
	809,553,614	755,489,615

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

22. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	4,952,056	1,211,724
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23. Income from agency services

Vehicle Registration	12,591,289	11,009,754
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24. Licences and permits

Road and Transport	4,794,813	5,671,150
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25. Other operational revenue

Cemetery fees	1,510,378	873,148
Town planning	2,481,052	1,339,924
Reconnection fees	1,377,602	1,170,246
Service connections	22,898	27,285
Other income	-	4,401
Tender document fees	910,125	1,583,498
Valuation fees	156,028	706,024
Refuse removal departmental sales	965,138	1,248,247
Bulk services	14,300	19,545
Clearance certificates	187,853	142,134
Development charges	203,980	-
Advertising	37,933	129,840
Tender document fees	2,060	-
Notice fees	14,236,625	1,078,443
Administrative handling fees	13,472	-
	22,119,444	8,322,735

26. Interest received

Interest

Interest from call account	4,701,465	3,836,493
Interest from current account	992,701	139,871
	5,694,166	3,976,364

Interest revenue

Interest charged on trade and other receivables	114,823,214	130,798,400
	120,517,380	134,774,764

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

27. Property rates

Rates received

Residential	178,220,748	190,307,288
Commercial	64,442,602	54,459,017
State	37,866,764	24,647,341
Small holdings and farms	56,312,781	68,731,599
	336,842,895	338,145,245

Valuations

Residential	1,892,392,224	1,892,392,224
Commercial	5,940,462,923	5,940,462,923
State	2,132,942,300	2,132,942,300
Municipal	1,492,156,150	1,492,156,150
Small holdings and farms	8,862,922,166	8,862,922,166
	10,320,875,763	10,320,875,763

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

All categories of properties as stated in the general and supplementary valuation roll have a unique tariff linked to in ratio of 1:1 in relation to residential properties and regulated properties rated are applied in terms of Municipal Property Rates Regulations as published in the Government Notice Number R.363 of 27 March 2009 which 1: 0,25. State owned properties are exempted from rebates by virtue of ownership. Indigents consumers receives 100% rebate while pensioners receive a maximum of 50% rebate of rates rebate .

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

28. Government grants and subsidies

Operating grants

Equitable share	902,288,000	695,605,274
Financial Management Grant	2,600,000	2,235,000
	904,888,000	697,840,274

Capital grants

Expanded Public Works Programme (EPWP)	1,150,000	1,403,000
Municipal Infrastructure grants	379,644,540	141,758,244
Water services infrastructure grant	-	19,119,940
Library Grant	180,034	1,095,977
Intergrated National Electrification Programme	14,200,000	-
North West Infrastructure Grant - COGTA	555,105	-
Disaster Relief Grant	-	1,639,000
	395,729,679	165,016,161
	1,300,617,679	862,856,435

Equitable Share

In terms of the Division of Revenue Act (DoRA), the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to the indigent community members in line with national policy.

Financial Management Grant

Current-year receipts	2,600,000	2,235,000
Conditions met - transferred to revenue	(2,600,000)	(2,235,000)
	-	-

Conditions met - transferred to revenue (see note 18).

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The conditions of the grants were met. No funds have been withheld.

Expanded Public Works Programme

Balance unspent at beginning of year	-	183,592
Current-year receipts	1,150,000	1,403,000
Conditions met - transferred to revenue	(1,150,000)	(1,403,000)
Equitable share (Held back)	-	(183,592)
	-	-

Conditions met - transferred to revenue (see note 18).

This grant is intended to incentives municipalities to expand work efforts work creation.

Municipal Infrastructure Grant

Balance unspent at beginning of year	140,038,757	-
Current-year receipts	246,367,000	281,797,000
Conditions met - transferred to revenue	(379,923,280)	(141,758,243)
Equitable share (Held back)	(826,000)	-
	5,656,477	140,038,757

Conditions still to be met - remain liabilities (see note 18).

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

28. Government grants and subsidies (continued)

The grant is intended to assist in to the municipality with infrastructure spend in order to promote service delivery.

Water Servives Infrastructure Grant

Balance unspent at beginning of year	-	16,262,682
Current-year receipts	-	19,119,940
Conditions met - transferred to revenue	-	(19,119,940)
Equitable share (Held back)	-	(16,262,682)
	-	-

The grant is meant to subsidise and build capacity in water schemes owned and or operated by the Department of Water Affairs or by other agencies on behalf of the Department and transfer these schemes to local government.

Library Grant

Balance unspent at beginning of year	231,080	342,057
Current-year receipts	816,000	985,000
Conditions met - transferred to revenue	(180,034)	(1,095,977)
	867,046	231,080

The grantt is intended to assist in the operations of libraries within the municipality.

Intergrated National Electrification Programme

Current-year receipts	14,200,000	-
Conditions met - transferred to revenue	(14,200,000)	-
	-	-

Conditions met - transfered to revenue (see note 18).

The grant is intended to assist the municipality with infrastructure spend in order to promote service delivery.

Disaster Relief Grant

Current-year receipts	-	1,639,000
Conditions met - transferred to revenue	-	(1,639,000)
	-	-

The grant is meant to assist with the purchase of covid 19 personal protective equipment expenditure.

North West Infrastructure Grant - COGTA

Current-year receipts	555,105	-
Conditions met - transferred to revenue	(555,105)	-
	-	-

Conditions met - transfered to revenue (see note 18).

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

29. Fines, Penalties and Forfeits

Law Enforcement Fines	3,006,263	4,091,034
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Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

30. Employee related costs

Basic	343,285,772	322,098,634
13th cheques	28,086,496	26,412,709
Medical Aid	42,063,132	43,712,011
UIF	2,440,580	2,426,611
Leave pay provision charge	16,528,440	21,943,116
Provident and pension fund	72,331,662	66,941,604
Travel allowances	32,932,440	29,596,157
Overtime payments	38,201,743	43,458,952
Acting allowances	2,984,093	1,759,228
Telephone/cellphone allowance	406,112	328,674
Housing benefits and allowances	2,991,473	2,675,113
Industrial council	4,688,361	4,454,996
Stand by allowances	4,612,683	4,008,411
	591,552,987	569,816,216

Remuneration of Municipal Manager - Mr NM Seanego

Annual remuneration	351,174	-
Contribution to UIF ,SDL, Medical and Pension Fund	744	-
	351,918	-

Mr NM Seanego was appointed as Acting Municipal Manager from 01 January 2021 to 30 June 2021.

Remuneration of Municipal Manager - Mr N Maape

Annual remuneration	497,561	895,610
Acting allowance ,Travelling allowance ,Subsistence and other allowances	213,241	391,612
Contribution to UIF ,SDL, Medical and Pension Fund	744	1,338
	711,546	1,288,560

Mr N Maape was appointed as Acting Municipal Manager from July 2021 to December 2021

Remuneration of Chief Financial Officer - Mr T Lefutswe

Annual remuneration	923,355	477,564
Acting allowance ,Travelling allowance ,Subsistence and other allowances	235,358	222,664
Contribution to UIF ,SDL, Medical and Pension Fund	1,487	892
	1,160,200	701,120

Mr T Lefutswe was appointed as Acting Chief Financial Officer from 01 September 2020 to 30 June 2021

Remuneration of Chief Financial Officer - Ms B.E Sathekge

Acting allowance	28,266	-
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Ms. BE Sathekge is appointed as acting CFO as at 1 July 2020 to 30 July 2020

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

30. Employee related costs (continued)

Remuneration of Director Community Services - Ms M Mmope

Annual remuneration	705,619	705,619
Acting allowance ,Travelling allowance ,Subsistence and other allowances	444,662	444,661
Bonuses	58,802	58,802
Contribution to UIF ,SDL, Medical and Pension Fund	237,905	229,668
Leave pay	22,580	21,965
	1,469,568	1,460,715

Ms M Mmope is appointed as Director of Community Services as permanent staff

Remuneration of Director Community Services - Mr LL Motlhoki

Acting allowance	181,170	-
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Mr LL Motlhoki is appointed as Acting Director of Community Services from 01 September 2020 to 28 February 2021

Remuneration of Director Corporate Support services - Mrs MG Magole

Annual remuneration	870,221	846,518
Acting allowance ,Travelling allowance ,Subsistence and other allowances	258,978	324,502
Bonuses	72,518	70,543
Contribution to UIF ,SDL, Medical and Pension Fund	239,592	130,527
	1,441,309	1,372,090

Mrs MG Magole is appointed as Director of Corporate Support Services as permanent staff.

Remuneration of Director Corporate Support services - Mr X Magwala

Acting allowance	362,751	-
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Mr X Magwala is appointed as Acting Director Corporate Support Services from 01 September 2020 to 30 June 2021.

Remuneration of Director Public Safety - Mr M Khoza

Acting allowance ,Travelling allowance ,Subsistence and other allowances	218,576	-
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Mr M Khoza is appointed as Acting Director Public Safety from 01 October 2020 to 30 June 2021

Remuneration of Director Public Safety - Ms P Dilinga

Annual remuneration	427,648	641,472
Acting allowance ,Travelling allowance ,Subsistence and other allowances	581,326	552,087
Bonuses	75,694	53,335
Contribution to UIF ,SDL, Medical and Pension Fund	137,779	201,986
Leave pay	133,911	19,968
	1,356,358	1,468,848

Ms P Dilinga appointed as Director of Public Safety and resigned.

Remuneration of Director Infrastructure and Technical Services - Mr D Dliwayo

Acting allowance	165,750	-
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Mr. D Dliwayo is appointed as Acting Director of Infrastructure and Technology Services from 01 January 2021 to 30 June 2021

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

30. Employee related costs (continued)

Remuneration of Director Infrastructure and Technical Services - Mr MC Church

Annual remuneration	336,750	702,846
Acting allowance ,Travelling allowance ,Subsistence and other allowances	297,872	323,379
Leave pay	595	1,338
	635,217	1,027,563

Mr. MC Church is appointed as acting Director of Infrastructure and Technical Services from 1 July 2020 to 30 November 2020.

Remuneration of Director Local Economic Development - Mr STN Mnisi

Annual remuneration	1,177,181	1,174,509
Acting allowance ,Travelling allowance ,Subsistence and other allowances	249,866	240,169
Contribution to UIF ,SDL, Medical and Pension Fund	15,698	15,587
	1,442,745	1,430,265

Mr. STN Mnisi is appointed as Director of Local Economic Development as permanent staff.

Remuneration of Director Local Economic Development - Ms MJ Motswatswe

Acting allowance ,Travelling allowance ,Subsistence and other allowances	298,463	-
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Ms MJ Motswatswe is appointed as Acting Director Local Economic Development from 01 September 2020 to 30 June 2021.

Remuneration of Director Human Settlement - Mr DN Pule

Acting allowance ,Travelling allowance ,Subsistence and other allowances	237,665	346,583
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Mr. DN Pule is appointed as Acting Director of Human Settlement 1 July 2020 to 30 June 2021.

Remuneration of Chief Audit Executive - Mr MA Mmaphetho

Annual Remuneration	720,078	718,444
Acting allowance ,Travelling allowance ,Subsistence and other allowances	509,045	508,627
Leave pay	-	22,415
Contributions to UIF, Medical and Pension Funds	214,975	211,106
	1,444,098	1,460,592

Mr. MA Mmaphetho is appointed as Chief Audit Executive as permanent staff.

Madibeng Local Municipality

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Notes to the Annual Financial Statements

31. Remuneration to councillors

Remuneration of Executive mayor, Speaker, Chief whip, Members of Mayoral committee and Other councillors

Councillor's remuneration - June 2021	Basic salary	Travel allowance	Cellphone allowance	Other allowance	Total
Executive Mayor	537,765	213,071	44,400	156,756	951,992
Speaker	448,645	157,412	44,400	107,475	757,932
Chief whip	415,229	150,142	44,400	107,584	717,355
Members of the mayoral committee	4,556,013	1,544,014	488,400	1,069,449	7,657,876
Other councillors	12,709,414	3,912,906	2,926,700	2,052,158	21,601,178
	18,667,066	5,977,545	3,548,300	3,493,422	31,686,333

Councillor's remuneration - June 2020	Basic salary	Travel allowance	Cellphone allowance	Other allowance	Total
Executive Mayor	539,151	196,765	44,400	157,933	938,249
Speaker	448,936	157,412	44,400	108,731	759,479
Chief whip	420,948	147,574	44,400	101,865	714,787
Members of the mayoral committee	4,696,614	1,613,475	488,400	1,044,502	7,842,991
Other councillors	12,854,424	3,914,397	2,930,400	1,907,313	21,606,534
	18,960,073	6,029,623	3,552,000	3,320,344	31,862,040

32. Depreciation and amortisation

Property, plant and equipment	321,267,311	322,996,790
Intangible assets	1,629,385	1,633,849
	322,896,696	324,630,639

33. Finance costs

Finance lease	18,103	332,960
Current borrowings	21,962,558	21,588,440
Defined benefit plan	18,241,000	19,950,483
	40,221,661	41,871,883

The discounting rate used for the finance lease obligation is the incremental borrowing rate of 9.04%. For the landfill site, the rate used to discount cash flows is the rate of 2.4107% plus the net effective discount rate of 5%, thus the discounting rate used is 7.4107%.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

34. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	34,943,111	83,383,466
Equipment		
Contractual amounts	5,690,550	5,690,550
	40,633,661	89,074,016

Minimum lease payments due-operating lease as lessee-Motor vehicles		
-within one year	-	37,776,414

Minimum lease payments due- Printers and Laptops (IT Services)		
-within one year	948,425	5,690,550
-in the second to fifth year inclusive	-	948,425
	948,425	6,638,975

35. Debt impairment

Debt impairment	49,958,920	434,170,002
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36. Bulk purchases

Electricity	628,351,417	496,249,599
Water	137,648,026	146,145,100
	765,999,443	642,394,699

Distribution losses in rands

Electricity losses	58,685,671	36,060,321
Water losses	101,818,883	8,784,242
	160,504,554	44,844,563

Reconciliation of water losses

2020/2021 Financial year amounts	Losses in KL	Losses In Percentage
	4,022,645	30

Reconciliation of electricity distribution losses

2020/2021 Financial year amounts	Losses in KWH	Losses in Percentage
	168,325,272	37

37. Contracted services

Outsourced Services

Information Technology Services	16,850,140	29,448,119
Security Services	51,259,513	43,310,210
Refuse Removal	25,516,006	15,205,613
Accounting Support and Advisory Services	32,398,566	25,383,979
Internal Audit Services	588,728	953,621
Revenue Consultants	8,482,149	8,040,858

Total	135,095,102	122,342,400
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Madibeng Local Municipality

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Notes to the Annual Financial Statements

38. Other operational expenses

Advertising	1,179,500	1,203,437
Attending of meetings and congresses	35,975	6,600
Audit committee costs	508,325	870,575
Auditors remuneration	9,777,929	11,939,243
Bank charges	4,964,497	6,124,997
Assistance to indigents	1,879,000	-
Chemical cost	11,149,069	9,486,569
Community development and training	158,902	46,770
Community participation	758,550	723,635
Consulting and professional fees	35,332	30,171
Consumables	12,069,333	17,819,011
Debt collection	-	168,727
Grant expenses	106,587	71,667
Geographical information system	432,688	532,240
IDP process	-	4,900
Insurance	14,267,471	22,561,378
Discount allowed	94,580,199	-
Licence fees	2,471,443	3,201,229
Marketing	79,000	165,200
Mayoral out-reach programme	73,000	228,280
Mobile chemical toilets	25,380	50,330
Motor vehicle expenses	1,007,751	632,430
Other expenses	704,253	9,588,635
Postage and courier	3,956	11,303
Printing and stationery	59,749	184,404
Protective clothing	2,783,271	3,171,227
Refuse	1,543,724	1,204,075
Repairs and maintenance	88,101,967	110,069,484
SALGA	11,891,973	4,087,100
Sport development	41,700	5,250
Social programmes	200,000	197,000
Subscriptions and membership fees	101,495	71,145
Telephone and fax	5,610,857	5,896,866
Plant and machinery hire expenses	14,865,889	3,912,018
Valuation expenses	273,750	1,241,952
Training cost	2,323,343	1,685,995
Travel and accommodation	475,390	6,737,040
Project management costs	5,764,522	3,447,625
Legal services	16,454,982	20,531,387
Water and electricity	20,569,464	19,124,835
Ward committees expenses	3,569,000	3,885,000
Write offs	382,402	564,074
Covid 19 expenses	819,875	-
	332,101,493	271,483,804

39. Fair value adjustments

Investment property (Fair value model)	(585,000)	-
Other financial assets		
• Other financial assets (Fair value)	172,375	(386,107)
	(412,625)	(386,107)

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

40. Revenue

Service charges	809,553,614	755,489,615
Rental of facilities and equipment	4,952,056	1,211,724
Agency services	12,591,289	11,009,754
Licences and permits	4,794,813	5,671,150
Other income	22,119,444	8,322,735
Interest received	114,823,214	130,798,400
Dividends received	5,694,166	3,976,364
Property rates	336,842,895	338,145,245
Government grants & subsidies	1,300,617,679	862,856,435
Fines, Penalties and Forfeits	3,006,263	4,091,034
	2,614,995,433	2,121,572,456

Reconciliation of the revenue

Revenue as per the revenue in the statement of financial performance	- 2,174,705,822
Revenue as per the revenue note above	- (2,121,320,432)
Fair value adjustments	- (2,653,301)
Actuarial gain	- (50,732,089)
	-

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

Service charges	809,553,614	755,489,615
Rental of facilities and equipment	4,952,056	1,211,724
Agency services	12,591,289	11,009,754
Licences and permits	4,794,813	5,671,150
Other income	22,119,444	8,322,735
Interest received - investment	114,823,214	130,798,400
Dividends received	5,694,166	3,976,364
	974,528,596	916,479,742

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

Taxation revenue		
Property rates	336,842,895	338,145,245
Transfer revenue		
Government grants and subsidies	1,300,617,679	862,856,435
Fines, Penalties and Forfeits	3,006,263	4,091,034
	1,640,466,837	1,205,092,714

41. Other revenue

Other operational revenue	22,119,444	8,322,735
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Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

42. Cash generated from operations

Surplus (deficit)	315,115,186	(365,473,790)
Adjustments for:		
Depreciation and amortisation	322,896,696	324,630,639
Gain on sale of assets and liabilities	4,099,223	17,241,455
Fair value adjustments	412,625	386,107
Impairment deficit	2,842,722	-
Debt impairment	49,958,920	434,170,002
Movements in operating lease assets and accruals	2,599,749	(6,893,405)
Movements in retirement benefit assets and liabilities	9,723,000	(32,945,155)
Movements in provisions	2,029,908	6,737,241
Annual charge for deferred tax	-	(8,800,000)
Finance Costs	39,944,151	13,923,663
Interest earned -outsanding recevables	(130,798,400)	(85,965,215)
(Gain)/Loss on provision for landfill site provison	6,737,241	-
Changes in working capital:		
Inventories	(3,071,363)	(2,872,494)
Other receivables from exchange transactions	(9,570,362)	(4,996,252)
Receivables from exchange transactions	(183,426,132)	(217,930,835)
Other receivables from non-exchange transactions	(104,052,794)	(488,327,016)
Statutory receivables	(10,330,000)	-
Prepayments	(80,833)	7,268,710
Other asset 1	-	6,837,619
Other asset 2	-	14,706,678
Payables from exchange transactions	(84,084,823)	396,740,579
VAT payable	(21,537,167)	-
Taxes and transfers payable (non-exchange)	-	(78,744,415)
Unspent conditional grants and receipts	(133,746,314)	123,366,789
Other Financial assets	-	24,855,698
(Decrease) / Increase other financial assets	-	-
	75,910,928	77,916,603

43. Commitments

Authorised capital expenditure

Commitments approved and contracted for

• Water	16,987,852	47,132,975
• Sanitation	48,972,992	27,115,397
• Roads and storm water	91,213,380	36,070,502
• Other projects	17,403,553	9,832,527
	174,577,777	120,151,401

Total capital commitments

Already contracted for but not provided for	174,577,777	120,151,401
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Authorised operational expenditure

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

44. Auditors' remuneration

Fees	9,777,929	11,939,243
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Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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45. Contingent liabilities

Contingent liabilities

1. Sobeka Engineering-claiming for services rendered and cancellation of contract	8,611,253	7,878,689
2. Sechaba Traffic Solutions- Claiming damages for breach of contract.	1,102,902	1,102,902
3. Petros Rademan-The Plaintiff is suing the municipality for medical expenses, pain and suffering and general damages which he suffered when he was electrocuted allegedly as a result of a prepared metre installed by the municipality	4,000,000	4,000,000
4. William Moeketsi	1,060,000	1,060,000
5. Kuhle General Consulting-The Plaintiff is claiming for allegedly services rendered.	1,837,641	1,837,641
6. Kuhle General Consulting-The Plaintiff is claiming for breach of contract	25,677,878	25,677,878
7. Treru Civil Construction-The Plaintiff is claiming for standing time	3,670,695	3,670,695
8. Fantique - The Plaintiff is claiming for damages suffered as a result of repudiation of contract.	2,291,359	2,291,359
9. Magalies Water - The Plaintiff is claiming for damages incurred for rendering of services.	36,550,923	36,550,923
10. S Sechabela- The Plaintiff is suing the municipality for damages incurred as a result of injuries sustained when she fell into a sewerage drain which was allegedly open and unattended	250,000	250,000
11. Donovan David Peter De Bryun - Claiming for loss suffered as a result of the municipality allegedly as a result of the breach of its statutory and or legal duty to erect a stop sign and or to maintain the road signs and in particular to ensure the visibility of warning signs among others	250,000	250,000
12. SADC Directory Services (Pty) Ltd-The Plaintiff issued a summon against the municipality for allegedly directory services in the form of a full colour page display advertorial in terms of partly verbal and partly written contract entered into for a period of 12 months. Subsequent to the issuing of summons, the Plaintiff filed a summary judgement application	273,531	273,532
13. Andries Hendrik Vermaak - Plaintiff is suing the municipality for damages which occurred as a result of the Plaintiff's car colliding with a large pothole that is situated within the municipality's jurisdiction. No payment has been made.	9,266	9,266
14. Telkom - Claiming for payment of damages of its copper cables allegedly caused by the municipality	-	36,085
15. Stephen Mphedi Madiro - The Plaintiff is suing Madibeng and Bonjanala Municipality for damages suffered due to Madibeng and Bonjanala's failure to maintain sewage system that has caused raw sewerage to spill into his property	16,842,500	16,842,500
16. Boss Directory Services - The Plaintiff is claiming for service rendered	683,726	683,726
17. Seratjile Trading and Projects	178,500	178,500
18. Freddy Sello Lamo - The applicant has instituted a claim for damages allegedly as a result of unfair discrimination at the workplace.	6,000,000	6,000,000
19. Black Forum Africa / Morris Mahlangu Glory	2,800,000	2,800,000
20. Resilent Properties - Claim for damages of former employees actions	28,803,025	-
21. Sebobe Gabriel & Job Rapula - Claim for damages suffered as result of roads and storm water drains.	1,400,000	-
Bertobrite (Pty) Ltd - Claim for return of leased vehicles as set out in the agreement.	18,185,027	-
21. LSO - The Plaintiff alleges that the Municipality failed to pay him the following three amounts for the service rendered;	4,810,747	-
22. Sekati-Sekati Incorporated Attorneys - The Plaintiff is claiming an outstanding amount alleged to be final invoice for chairing a disciplinary proceedings.	696,843	-
23. Ubane Salome Melabo - Plaintiff for damages that in July 2017 she fell into a 1 to 1.5 metre deep unmarked construction hole at Hebron intersection of M20 and Lucas Mangope Road.	909,500	-
24. Ngwenya River Estate - Plaintiff claims damages to an amount of R188 197.50 which is alleged to be for repair of substation and/or pump station	188,198	-
25. Ikanyeng Kamogelo Masenamela - The Plaintiff is claiming an amount of R9874.02 which is alleged to be for damages suffered by colliding with a pothole at an unknown street in Brits.	9,874	-
26. Flame IT - Claim for outstanding amount for services rendered	54,000,000	-
	221,093,388	111,393,696

Madibeng Local Municipality

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Notes to the Annual Financial Statements

45. Contingent liabilities (continued)

Contingent assets

1. Emerald Sky Trading 570 (Pty) Ltd	581,420	581,420
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46. 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. The municipality uses derivative financial instruments to hedge certain risk exposures. 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, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Credit risk

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

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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020*restated
Other financial assets	3,279,416	7,955,746
Receivables from exchange transactions	378,973,952	212,185,669
Receivable from non-exchange transaction	220,116,904	99,426,319
Cash and cash equivalents	124,363,349	234,430,115
Payables from exchange transactions	1,500,044,849	1,556,199,968

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

47. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of 3,693,372,719 and that the municipality's total liabilities exceed its assets by 3,693,372,719.

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
47. Going concern (continued)		
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.		
48. Unauthorised expenditure		
Opening balance as previously reported	2,456,579,142	2,368,454,831
Opening balance as restated	2,456,579,142	2,368,454,831
Add: Expenditure identified - current	-	88,124,311
Closing balance	2,456,579,142	2,456,579,142
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	-	434,170,002
Cash	70,592,930	-
	70,592,930	434,170,002
Analysed as follows: non-cash		
Other - (Disaggregate or list these)	-	434,170,002
Analysed as follows: cash		
Bulk purchases	69,599,442	-
General expenditure	993,488	-
	70,592,930	-
Unauthorised expenditure: Budget overspending – per municipal department		
Infrastructure and technical services	70,592,930	-
49. Fruitless and wasteful expenditure		
Opening balance as previously reported	65,195,415	37,284,463
Opening balance as restated	65,195,415	37,284,463
Add: Expenditure identified - current	22,679,006	26,078,751
Unauthorised debit orders	-	1,832,201
Closing balance	87,874,421	65,195,415
50. Irregular expenditure		
Opening balance as previously reported	2,093,206,176	1,818,618,334
Correction of prior period error	-	(63,777,809)
Reversal of unauthorised debit orders	-	(6,371,988)
Opening balance as restated	2,093,206,176	1,748,468,537
Add: Irregular Expenditure - Current	528,441,811	244,970,443
Add: Irregular Expenditure - Prior year	-	99,767,196
Limitation of scope	598,803	-
Closing balance	2,622,246,790	2,093,206,176

Madibeng Local Municipality

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Figures in Rand	2021	2020
51. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	-	4,087,100
Material losses through criminal conduct		
Opening balance	18,825,686	16,993,485
Add: Unauthorised debit orders	-	1,832,201
	18,825,686	18,825,686
<p>The amounts included herein relate to the unauthorised debit orders that resulted in the municipality incurring expenditure that does not serve the mandate of the Madibeng Local Municipality.</p>		
Audit fees		
Opening balance	5,933,497	-
Current year fee	11,277,903	9,626,581
Amount paid - current year	(12,243,531)	(3,693,084)
	4,967,869	5,933,497
PAYE, Skills and UIF		
Opening balance	3,915,350	4,500,356
Current year fee	91,668,559	69,513,662
Amount paid - current year	(90,046,258)	(70,098,668)
	5,537,651	3,915,350
Pension and Medical Aid Deductions		
Opening balance	9,262,047	10,323,972
Current year fee	182,055,808	168,163,111
Amount paid - current year	(181,224,283)	(169,225,036)
	10,093,572	9,262,047
VAT		
VAT receivable	17,078,257	-
VAT payable	-	4,458,910
	17,078,257	4,458,910

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

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

Madibeng Local Municipality

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

Councillors' arrear consumer accounts

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

30 June 2021	Less than 90 days	90 days and more	Total
MG Sadikge	3,019	116,513	119,532
AM Modisakeng	12,578	133,094	145,672
MD Khumalo	1,882	98,042	99,924
PK Mawayi	1,734	86,052	87,786
NB Muhlana	6,365	90,329	96,694
JM Mothibe	6,938	61,618	68,556
J Ratloi	635	44,515	45,150
W Modiba	1,857	55,077	56,934
MP Tlhopane	4,675	9,355	14,030
DS Maimane	3,227	27,142	30,369
RG Sithole	3,084	37,812	40,896
MC Malola	79	6,487	6,566
M Du Plessis	2,974	4,287	7,261
MS Moloji	3,820	5,992	9,812
MW Motlhasedi	1,291	13,355	14,646
SDN Nthangeni	101	8,863	8,964
KSN Ntshabele	100	8,795	8,895
OD Marapyane	58	5,126	5,184
TS Bogale	84	5,949	6,033
SM Maunatlala	45	3,786	3,831
AS Rakomane	47	3,328	3,375
JT Moabi	45	3,226	3,271
LG Mhlambi	45	3,326	3,371
MD Mosolodi	45	3,226	3,271
TM Modiha	45	3,226	3,271
WS Ramaboa	9	582	591
PA Phetlhe	8	486	494
CS Sekhoto	8	485	493
KS Tlapu	8	485	493
P Pretorious	8	485	493
AWS Malatse	8	483	491
RR Mohulatsi	8	482	490
BA Maubane	7	393	400
JM Modipane	6	383	389
AI Molotsi	8	473	481
EM Nkoe	6	383	389
FM Masemola	6	383	389
J Mosito	6	383	389
MA Mokgoko	6	383	389
ML Makgale	6	383	389
NM Maqakamba	8	480	488
PB Makgabo	6	383	389
RP Padi	6	383	389
T Mokwena	6	383	389
II Maledu	6	377	383
RE Dikgang	2	51	53
CM Mampuru	2	47	49
WJ Muller	3,117	2,337	5,454
KS Komape	1,654	4,811	6,465
	59,688	854,425	914,113

Madibeng Local Municipality

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

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No, 27636 issued on 30 May 2005 states that 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 for any deviation and report them to the next meeting of the council and includes a note to the annual financial statements.

Class

Emergency	12,749,182	218,215
Sole supplier	537,308	150,000
Impractical or impossible to follow normal process	3,163,722	6,481,237
	16,450,212	6,849,452

52. Public contributions and donations

Reconciliation of conditional contributions

Current-year receipts	-	39,000
Conditions met - transferred to revenue	-	(39,000)
	-	-

A donation was received from Bridgestone SA (Pty) Ltd-Brits Plant. The donation was in the form of COVID 19 deep cleaning and disinfection of surface areas at the municipal main offices. There were no conditions attached to this donation.

53. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Motor vehicles		
• Contractual amounts	34,943,111	83,383,466
Equipment		
• Contractual amounts	5,690,550	5,690,550
	40,633,661	89,074,016

Loss on sale of property, plant and equipment	(2,069,315)	(10,504,214)
Impairment on property, plant and equipment	2,842,722	-
Gain on biological assets and agricultural produce	2,029,908	6,737,241
Amortisation on intangible assets	1,629,385	1,633,849
Depreciation on property, plant and equipment	321,267,311	322,996,790
Employee costs	623,212,901	601,678,257

54. Related parties

Relationships

Councillors	Refer to note 31
Key management	Refer to 30

55. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are disclosed in the prior period error note.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

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

The Municipality acts on behalf of the Department to issue licences to, and collect money from motorists, i.e. there are three parties to the arrangement, principal (Department of Transport), agent (Madibeng Local Municipality) and third party (motorists).

As the Department of Transport is responsible for issuing the licence, the transaction is however between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The Municipality receives a fee of 20% of the transaction amount and there were no changes that occurred during the reporting period.

57. Commission received

58. Prior period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments.

Statement of financial position	Audited AFS 2020	Restated balance	Reclassificati on	Restated amount
57.1 Other financial assets	7,288,733	-	667,013	7,955,746
57.2 Other receivables from exchange	-	17,025,754	-	17,025,754
57.3 Receivables from non exchange transactions	82,008,751	-	17,417,568	99,426,319
57.4 Cash and cash equivalents	260,690,605	-	(26,260,490)	234,430,115
57.5 Investment Property	86,550,000	-	-	86,550,000
57.6 Property Plant and Equipment	5,277,427,817	-	(377,355,338)	4,900,072,479
57.7 Other financial liabilities	-	325,279,924	-	325,279,924
57.8 Operating lease liability	19,242,017	-	1,564,218	20,806,235
57.9 VAT payables	529,702	-	4,418,958	4,948,660
57.10 Payables from non exchange	1,445,479,564	-	110,720,403	1,556,199,967
57.11 Unspent conditional grants	141,774,782	-	(1,504,945)	140,269,837
57.12 Employee benefit obligation	183,739,000	-	(38,700,000)	145,039,000
	7,504,730,971	342,305,678	(309,032,613)	7,538,004,036

Statement of financial performance	Audited AFS 2019	Restated balance	Reclassificati on	Restated amount
57.13 Service charges	754,582,160	907,455	-	755,489,615
57.14 Rental of facilities	1,099,009	(7,975)	-	1,091,034
57.15 Commissions received	13,215,741	(13,215,741)	-	-
57.16 Other operational revenue	8,132,008	190,727	-	8,322,735
57.17 Fair value adjustment	144,922	-	241,185	386,107
57.18 Property rates	250,713,059	(10,649,043)	-	240,064,016
57.19 Government grants and subsidies	861,466,207	1,390,228	-	862,856,435
57.20 Depreciation	(322,613,883)	(2,016,756)	-	(324,630,639)
57.21 Finance costs	(40,132,189)	(1,739,694)	-	(41,871,883)
57.22 Rentals of operating lease	(88,331,771)	(742,245)	-	(89,074,016)
57.23 Bulk purchases	(590,290,736)	52,103,963	-	(538,186,773)
57.24 Contracted services	(148,807,377)	26,464,977	-	(122,342,400)
57.25 Transfer subsidies	374,480	(43,821)	-	330,659
57.26 Other operational expenses	(249,559,535)	(18,153,939)	-	(267,713,474)
57.27 Loss on disposal of assets	(9,840,613)	(663,601)	-	(10,504,214)
57.28 Actrial gain or loss	50,732,079	7,950,765	-	58,682,844
	490,883,561	41,775,300	241,185	532,900,046

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2021

Notes to the Annual Financial Statements

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59. Budget differences

Material differences between budget and actual amounts

1. Service charges the discounts which were given to industrial customers had an impact on overall outcome of the item. Credit control policy was implemented extensively during the financial service charges credit control policy was implemented extensively during the financial year

2. Interest on Investment - due to additional grants received resulted in increase in investments.

3. Other revenue - issuing on demand notices as part of intensification of credit control policy.

4. Licenses and permits and rental of facilities - late recons on this item led to under budgeting

5. Property rates - correction of duplicates accounts led to inaccurate budget adjustments.

6. Interest on debtors - the discounts which were given to industrial customers had an impact on overall outcome of the item.

7. Transfers and subsidies - additional grants received during the year to address the COVID 19 pandemic.

8. Employee costs- due to limitation of overtime payments.

9. Depreciation - the votes was over budgeted based on prior expenditure

10. Finance Costs - the interest on PIC loan was capped on the capital amount.

11. Debt impairment - change in estimate methodology

12. Bulk purchases - interest charged on late payment

15. Other operational expenditure - the votes were under budgeted however the service delivery needs could not be ignored.

60. Non current assets held for sale

Non-current asset held for sale	10,330,000	-
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Council has approved sale of this land and procurement to secure services of a auctioneer is underway. This sale is to service the PIC loan that is due and payable.

Current assets	10,330,000	-
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**Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2021**

2021/2020

2020/2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - outstanding debtors	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Licences and permits	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Other revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Gains on disposal of PPE	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	-	-	-	-		-	DIV/0 %	DIV/0 %				-

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2021

	2021/2020						2020/2019					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure By Type												
Employee related costs	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Remuneration of councillors	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Debt impairment	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Depreciation & asset impairment	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Finance charges	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Bulk purchases	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other materials	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Contracted services	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Transfers and subsidies	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other expenditure	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Loss on disposal of PPE	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Total Expenditure	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit)	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Taxation	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) after taxation	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Attributable to minorities	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) attributable to municipality	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Share of surplus/ (deficit) of associate	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) for the year	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	