



Madibeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity	Local Municipality Municipal demarcation code - NW 372 Governed by the MFMA (Act 56 of 2003)
Nature of business and principal activities	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)
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 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 Local municipality
Executive Mayor	Hon. DS Maimane
Speaker	Cllr. D Mbezi
Chief Whip	Cllr. EM Kgautle
Mayoral Committee	Cllr. FJ Motepe (Public Safety and Facilities Management) Cllr. LL Nkhoma (Economic Development, Tourism and Agriculture) Cllr. JJ Modipane (Inter-Governmental Relations and Special Projects) Cllr. RL Maluleke (IDP, PMS and Legal services) Cllr. EM Bopape (Corporate Support Services) Cllr. CK Montsho (Budget and Treasury Office) Cllr. M Masuku (Roads and Transport) Cllr. DM Molekoa (Infrastructure and Technical services) Cllr. PB Makhongela (Planning and Human Settlements) Cllr. LG Mhlambi (Community Services)
Chairperson of MPAC	Cllr. SC Sekhoto

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General Information

Councillors

Cllr. IB Bhebe
Cllr. MD Bodigelo
Cllr. JB Chiya
Cllr. G Clouston
Cllr. A Dinga
Cllr. M Du Plessis
Cllr. C Greenwood-Selby
Cllr. TB Khutoane
Cllr. JL Klopper
Cllr. KS Komape
Cllr. SP Kungoane
Cllr. PP Legong
Cllr. EDF Lourens
Cllr. NS Mabunda
Cllr. TJ Makhubela
Cllr. JM Mamabolo
Cllr. PD Mamogwe
Cllr. B Manne
Cllr. MS Maphoru
Cllr. AK Mashilo
Cllr. RB Matlala
Cllr. AT Matlou
Cllr. KG Matlou
Cllr. TW Mhlanga
Cllr. OR Modibane
Cllr. S Mohale
Cllr. TJ Mohlabane
Cllr. RR Mahulatsi
Cllr. PT Mokau
Cllr. RM Mokoka
Cllr. G Mokonoto
Cllr. NF Mokwena
Cllr. T Mokwena
Cllr. MS Moloji
Cllr. S Monnagotla
Cllr. RN Moralle
Cllr. MD Morapedi
Cllr. WK Morare
Cllr. SS Moreki
Cllr. PL Motaung
Cllr. C Mphahlele
Cllr. WJ Muller
Cllr. NE Nkoane
Cllr. KA Nthekiso
Cllr. LM Ntobong
Cllr. RP Padi
Cllr. LSG Phaloane
Cllr. J Pieterse
Cllr. P Pretorius
Cllr. NR Rakolle
Cllr. MJ Ratele
Cllr. J Ratloi
Cllr. LA Ratlou
Cllr. RS Riba
Cllr. EGJ Rossouw
Cllr. LP Sedio
Cllr. MT Selialia
Cllr. PM Sepuru
Cllr. MI Sethe
Cllr. A Sethole
Cllr. JM Sibanda
Cllr. LN Simango
Cllr. JD Smith

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General Information

	Cllr. PRD Songwane Cllr. L Spoltz Cllr. P Tsheola Cllr. E Van Der Schyff Cllr. JC Van Rhyn
Municipal Manager (Acting)	Ms B Gunqisa
Chief Finance Officer (Acting)	Ms B Sathekge
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
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Madibeng Local Municipality

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

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Abbreviations used:

MSCOA	Municipal Standard Chart Of Accounts
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PIC	Public Investment Corporation
SARS	South African Revenue Services
VAT	Value Added Tax
FMG	Financial Management Grant
INEP	Integrated National Electrification Programme
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
CFO	Chief Financial Officer
NPV	Net Present Value
VBS	Venda Building Society Mutual Bank
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association

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Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she 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, 2023 and, in the light of this review and the current financial position, she 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 councillors, loans made to councillors, if any, and payments made to councillors for loss office, if any, as disclosed in note 31 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 pages 6 to 79, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2022 and were signed on its behalf by:



Ms B Gunqisa
(Acting Municipal Manager)

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act 20 of 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the municipality was 1 532 088 (2021: surplus 1 221 873 668).

2. Going concern

I draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 3 580 274 712 and that the municipality's total assets exceed its liabilities by 3 580 274 713.

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.

3. Subsequent events

The last adjustment budget was approved by council on the 30 August 2022 which was after the financial year end.

The municipality appointed the acting Municipal manager and acting CFO after year end and that was approved by council. Ms B Sathekge was appointed to act in the position of Chief Financial Officer from the 21 November 2022.

The SCM manager was suspended pending disciplinary action.

The accounting officer is not aware of any circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

4. Accounting Officers' interest in contracts

The Accounting Officer has no interest in contracts awarded.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed South African standards of Generally Recognised Accounting Practices (GRAP) and MFMA.

6. Corporate governance

The Council

The municipal council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the municipal council supports the highest standards of corporate governance and the ongoing development of best practice.

Remuneration

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

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Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

. Corporate governance (continued)

Audit committee

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

Internal audit

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

7. Bankers

The Municipality primary bank is First National Bank.

8. Auditors

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

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Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	22 010 298	22 376 663
Other financial assets	4	3 129 571	3 279 416
Other receivables	59	33 535 561	27 783 883
Receivables from non-exchange transactions	5	196 056 244	601 391 005
VAT receivable	60	-	15 890 489
Prepayments		-	80 833
Receivables from exchange transactions	6	470 639 345	760 829 102
Cash and cash equivalents	7	224 843 799	124 341 891
		950 214 818	1 555 973 282
Non-Current Assets			
Investment property	8	87 765 000	86 495 000
Property, plant and equipment	9	4 846 551 580	4 926 275 614
Intangible assets	10	2	700 861
Heritage assets	11	10 100	10 100
		4 934 326 682	5 013 481 575
Non-Current Assets		4 934 326 682	5 013 481 575
Current Assets		950 214 818	1 555 973 282
Total Assets		5 884 541 500	6 569 454 857
Liabilities			
Current Liabilities			
Other financial liabilities	12	325 279 924	325 279 924
Operating lease liability	13	14 784 950	23 405 984
Payables from exchange transactions	14	1 644 745 905	1 391 212 547
VAT payable	15	19 575 392	-
Consumer deposits	16	25 218 890	40 287 645
Employee benefit obligation	17	7 245 000	7 444 000
Unspent conditional grants and receipts	18	75 276 363	6 523 523
Finance lease obligation	19	4 647 470	4 647 470
		2 116 773 894	1 798 801 093
Non-Current Liabilities			
Employee benefit obligation	17	168 108 010	147 318 000
Provisions	20	19 384 883	18 683 856
		187 492 893	166 001 856
Non-Current Liabilities		187 492 893	166 001 856
Current Liabilities		2 116 773 894	1 798 801 093
Total Liabilities		2 304 266 787	1 964 802 949
Assets		5 884 541 500	6 569 454 857
Liabilities		(2 304 266 787)	(1 964 802 949)
Net Assets		3 580 274 713	4 604 651 908
Accumulated surplus		3 580 274 713	4 604 651 908
Total Net Assets		3 580 274 713	4 604 651 908

* See Note 57

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Notes	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	799 807 095	789 721 055
Rental of facilities and equipment	22	1 931 110	4 952 056
Income from agency services	23	14 180 025	12 591 289
Licences and permits	24	6 336 607	4 794 813
Other operational revenue	25	17 881 617	21 384 299
Interest received from debtors	26	99 040 462	114 823 214
Fair value adjustments		1 120 154	-
Interest received from investments	26	6 902 741	5 694 166
Gain on provision for landfill site		-	658 857
Gain on reversal of debt impairment		-	795 117 262
Actuarial gains		-	18 254 765
Total revenue from exchange transactions		947 199 811	1 767 991 776
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	293 658 694	336 842 895
Transfer revenue			
Government grants & subsidies	28	1 067 031 229	1 300 617 679
Fines, Penalties and Forfeits	29	3 642 972	3 006 263
Total revenue from non-exchange transactions		1 364 332 895	1 640 466 837
		947 199 811	1 767 991 776
		1 364 332 895	1 640 466 837
Total revenue	40	2 311 532 706	3 408 458 613
Expenditure			
Employee related costs	30	(620 407 872)	(591 552 999)
Remuneration of councillors		(32 005 388)	(31 659 915)
Depreciation and amortisation	32	(337 457 220)	(324 466 311)
Reversal of impairments	61	(6 992 326)	(2 842 722)
Finance costs	33	(33 608 114)	(58 883 892)
Lease rentals on operating lease	34	(5 690 550)	(40 633 661)
Bulk purchases	36	(808 571 367)	(686 023 909)
Contracted services	37	(134 485 985)	(116 101 384)
Transfers and Subsidies		(611 297)	(660 564)
Loss on disposal of assets and liabilities		(580 665)	(2 069 315)
Fair value adjustments	38	-	(412 625)
Actuarial losses		(1 237 000)	-
Other operational allowance	39	(331 417 010)	(331 277 648)
Total expenditure		(2 313 064 794)	(2 186 584 945)
Total revenue		2 311 532 706	3 408 458 613
Total expenditure		(2 313 064 794)	(2 186 584 945)
Operating surplus/deficit		-	-
(Deficit) surplus before taxation		(1 532 088)	1 221 873 668
Taxation		-	-
(Deficit) surplus for the year		(1 532 088)	1 221 873 668

* See Note 57

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2020	3 364 523 468	3 364 523 468
Changes in net assets		
Surplus/(deficit) for the year	1 221 873 668	1 221 873 668
Prior year error adjustment	18 254 770	18 254 770
Total changes	1 240 128 438	1 240 128 438
Restated* Balance at 01 July 2021	3 581 806 800	3 581 806 800
Changes in net assets		
Surplus/(deficit) for the year	(1 532 088)	(1 532 088)
Total changes	(1 532 088)	(1 532 088)
Balance at 30 June 2022	3 580 274 712	3 580 274 712

* See Note 57

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		1,843,005,524	121,869,717
Grants and subsidies received		1,054,556,153	1,300,617,679
Interest received		105,943,203	120,517,379
Other income		17,850,140	21,384,299
		3,021,355,020	1,564,389,074
Payments			
Compensation of employees		(653,413,260)	(623,212,902)
Suppliers		(1,051,865,506)	(1,318,959,828)
Finance costs		(33,608,114)	(58,883,895)
Transfers and subsidies paid		-	(660,565)
Other suppliers (Operating lease)		(14,311,584)	(38,033,912)
		(1,753,198,464)	(2,039,751,102)
Net cash flows from operating activities	42	1,268,156,556	(475,362,028)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(265,552,861)	(343,459,622)
Proceeds from sale of financial assets		(909,004,530)	578,549,146
Proceeds from sale of biological assets that form part of an agricultural activity		-	658,857
Net cash flows from investing activities		(1,167,654,650)	235,748,381
Cash flows from financing activities			
Movement in other liability 1		-	128,287,387
Finance lease payments		-	494,911
Dividends or similar distributions paid		-	660,565
Net cash flows from financing activities		-	129,442,863
Net increase/(decrease) in cash and cash equivalents		100,501,906	(110,170,784)
Cash and cash equivalents at the beginning of the year		124,341,893	234,512,677
Cash and cash equivalents at the end of the year	7	224,843,799	124,341,893

* See Note 57

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	917 857 793	-	917 857 793	799 807 095	(118 050 698)	Refer to 62
Rental of facilities and equipment	7 007 924	(5 000 000)	2 007 924	1 931 110	(76 814)	
Income from agency services	12 000 000	-	12 000 000	14 180 025	2 180 025	Refer to 62
Licences and permits	549 469	-	549 469	6 336 607	5 787 138	Refer to 62
Other operational revenue	6 610 552	(1 200 000)	5 410 552	17 881 617	12 471 065	Refer to 62
Interest received - outstanding debtors	109 425 397	10 000 000	119 425 397	99 040 462	(20 384 935)	Refer to 62
Interest received on investments	4 801 115	1 000 000	5 801 115	6 902 741	1 101 626	Refer to 62
Total revenue from exchange transactions	1 058 252 250	4 800 000	1 063 052 250	946 079 657	(116 972 593)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	265 602 195	10 397 806	276 000 001	293 658 694	17 658 693	Refer to 62
Transfer revenue						
Transfers & subsidies	831 904 000	-	831 904 000	1 067 031 229	235 127 229	Refer to 62
Fines, Penalties and Forfeits	1 618	-	1 618	3 642 972	3 641 354	Refer to 62
Total revenue from non-exchange transactions	1 097 507 813	10 397 806	1 107 905 619	1 364 332 895	256 427 276	
'Total revenue from exchange transactions'	1 058 252 250	4 800 000	1 063 052 250	946 079 657	(116 972 593)	
'Total revenue from non-exchange transactions'	1 097 507 813	10 397 806	1 107 905 619	1 364 332 895	256 427 276	
Expenditure						
Employee related costs	(605 234 181)	(31 539 779)	(636 773 960)	(620 407 872)	16 366 088	
Remuneration of councillors	(33 425 348)	-	(33 425 348)	(32 005 388)	1 419 960	
Depreciation	(435 000 000)	-	(435 000 000)	(337 457 220)	97 542 780	Refer to 62
Impairment loss/ Reversal of impairments	-	-	-	(6 992 326)	(6 992 326)	Refer to 62
Finance costs	(150 010 000)	67 500 000	(82 510 000)	(33 608 114)	48 901 886	Refer to 62
Lease rentals on operating lease	-	-	-	(5 690 550)	(5 690 550)	Refer to 62
Debt Impairment	(220 000 000)	-	(220 000 000)	-	220 000 000	Refer to 62
Bulk purchases	(739 301 927)	(91 000 000)	(830 301 927)	(808 571 367)	21 730 560	
Contracted services	(250 455 000)	(20 748 047)	(271 203 047)	(134 485 985)	136 717 062	
Transfers and grants	-	-	-	(611 297)	(611 297)	
Transfers and subsidies	(4 700 000)	50 000	(4 650 000)	-	4 650 000	
Other operational expenditure	(196 963 735)	(55 139 000)	(252 102 735)	(331 417 010)	(79 314 275)	Refer to 62
Total expenditure	(2 635 090 191)	(130 876 826)	(2 765 967 017)	(2 311 247 129)	454 719 888	
	2 155 760 063	15 197 806	2 170 957 869	2 310 412 552	139 454 683	
	(2 635 090 191)	(130 876 826)	(2 765 967 017)	(2 311 247 129)	454 719 888	
Operating (deficit)/surplus	(479 330 128)	(115 679 020)	(595 009 148)	(834 577)	594 174 571	
Transfers and subsidies - capital	310 285 000	50 000 000	360 285 000	(580 665)	(360 865 665)	
Fair value adjustments	-	-	-	1 120 154	1 120 154	Refer to 62

Madibeng Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	(1 237 000)	(1 237 000)	Refer to 62
	310 285 000	50 000 000	360 285 000	(697 511)	(360 982 511)	
	(479 330 128)	(115 679 020)	(595 009 148)	(834 577)	594 174 571	
	310 285 000	50 000 000	360 285 000	(697 511)	(360 982 511)	
Surplus/(deficit)	(169 045 128)	(65 679 020)	(234 724 148)	(1 532 088)	233 192 060	
Surplus before taxation	(169 045 128)	(65 679 020)	(234 724 148)	(1 532 088)	233 192 060	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(169 045 128)	(65 679 020)	(234 724 148)	(1 532 088)	233 192 060	

Comparison of Budget and Actual variances are explained under budget difference note, 62.

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Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	
Net assets												
Financial Performance												
Property rates	265 602 195	10 397 806	276 000 001	-	-	276 000 001	293 658 694	-	17 658 693	106 %	111 %	
Service charges	917 857 793	-	917 857 793	-	-	917 857 793	799 807 095	-	(118 050 698)	87 %	87 %	
Investment revenue	114 226 512	11 000 000	125 226 512	-	-	125 226 512	105 943 203	-	(19 283 309)	85 %	93 %	
Transfers recognised - operational	831 904 000	-	831 904 000	-	-	831 904 000	821 607 473	-	(10 296 527)	99 %	99 %	
Other own revenue	26 169 563	(6 200 000)	19 969 563	-	-	19 969 563	45 242 331	-	25 272 768	227 %	173 %	
Total revenue (excluding capital transfers and contributions)	2 155 760 063	15 197 806	2 170 957 869	-	-	2 170 957 869	2 066 258 796	-	(104 699 073)	95 %	96 %	
Employee costs	(605 234 000)	(31 393 000)	(636 627 000)	-	-	(636 627 000)	(620 407 872)	-	16 219 128	97 %	103 %	
Remuneration of councillors	(33 425 000)	-	(33 425 000)	-	-	(33 425 000)	(32 005 388)	-	1 419 612	96 %	96 %	
Debt impairment	(220 000 000)	-	(220 000 000)	-	-	(220 000 000)	-	-	220 000 000	- %	- %	
Depreciation and asset impairment	(435 000 000)	-	(435 000 000)	-	-	(435 000 000)	(344 449 546)	-	90 550 454	79 %	79 %	
Finance charges	(150 010 000)	100 500 000	(49 510 000)	-	-	(49 510 000)	(33 608 114)	-	15 901 886	68 %	22 %	
Bulk purchases	(739 302 000)	-	(739 302 000)	-	-	(739 302 000)	(808 571 367)	-	(69 269 367)	109 %	109 %	
Transfers and grants	(4 700 000)	-	(4 700 000)	-	-	(4 700 000)	(611 297)	-	4 088 703	13 %	13 %	
Other expenditure	(447 419 000)	66 319 000	(381 100 000)	-	-	(381 100 000)	(473 561 056)	-	(92 461 056)	124 %	106 %	
Total expenditure	(2 635 090 000)	135 426 000	(2 499 664 000)	-	-	(2 499 664 000)	(2 313 214 640)	-	186 449 360	93 %	88 %	
Total revenue (excluding capital transfers and contributions)	2 155 760 063	15 197 806	2 170 957 869	-	-	2 170 957 869	2 066 258 796	-	(104 699 073)	95 %	96 %	
Total expenditure	(2 635 090 000)	135 426 000	(2 499 664 000)	-	-	(2 499 664 000)	(2 313 214 640)	-	186 449 360	93 %	88 %	
Surplus/(Deficit)	(479 329 937)	150 623 806	(328 706 131)	-	-	(328 706 131)	(246 955 844)	-	81 750 287	75 %	52 %	

Madibeng Local Municipality
Annual Financial Statements for the year ended 30 June 2022
Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	310 285 000	50 000 000	360 285 000	816 000		361 101 000	245 423 756		(115 677 244)	68 %	79 %
Surplus/(Deficit)	(479 329 937)	150 623 806	(328 706 131)	-		(328 706 131)	(246 955 844)	-	81 750 287	75 %	52 %
Capital transfers and contributions	310 285 000	50 000 000	360 285 000	816 000	-	361 101 000	245 423 756	-	(115 677 244)	68 %	79 %
Surplus (Deficit) after capital transfers and contributions	(169 044 937)	200 623 806	31 578 869	816 000		32 394 869	(1 532 088)		(33 926 957)	(5)%	1 %
Surplus (Deficit) after capital transfers and contributions	(169 044 937)	200 623 806	31 578 869	816 000	-	32 394 869	(1 532 088)	-	(33 926 957)	(5)%	1 %
Surplus/(Deficit) for the year	(169 044 937)	200 623 806	31 578 869	816 000		32 394 869	(1 532 088)		(33 926 957)	(5)%	1 %

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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.

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. All figures have been rounded to the nearest Rand unless specified otherwise.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its trade 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 judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

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.

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

Impairment testing

The recoverable amounts of cash-generating 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.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions. (also refer to accounting policy 1.16)

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.5 Investment property

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

- use in the production or supply of goods or services or for
- held to meet the service delivery objectives, or
- sale in the ordinary course of operations.

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

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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.

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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
Calverts	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	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 in terms of Standards of GRAP on Accounting Policies, Changes in Estimates and Errors.

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

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.7 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.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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.

The estimated useful life is as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 - 5 years

Intangible assets are derecognised:

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Heritage assets

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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..

1.10 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.

A financial asset is:

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.10 Financial instruments (continued)

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

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 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
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.10 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, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

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 municipality 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 municipality 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.

1.11 Statutory receivables

Identification

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.11 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Derecognition

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

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

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

1.12 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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. 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 unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, write off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost..

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Accounting Policies

1.13 Inventories (continued)

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

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

1.14 Impairment of cash-generating assets

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

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

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash generating assets.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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.

Madibeng Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

1.14 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.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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.

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

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

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

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

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

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

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 Impairment of non-cash-generating assets

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

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

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

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.

Useful life is either:

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

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

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Accounting Policies

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

Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.

In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash generating.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

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 oversized or overcapacity asset. Oversized 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.

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Accounting Policies

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

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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.

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Accounting Policies

1.16 Employee benefits

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

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 municipality 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 municipality 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 municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined benefit plans

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

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

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.

Madibeng Local Municipality

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Accounting Policies

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

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

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

The municipality 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.

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 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.

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).

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.

Madibeng Local Municipality

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Accounting Policies

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

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.

The municipality provides post-retirement health care benefits 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 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.

Other long term employee benefits

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

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 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.

Madibeng Local Municipality

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Accounting Policies

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

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.

1.17 Provisions and contingencies

Provision is a liability on uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45 of notes to the Annual Financial Statements.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.17 Provisions and contingencies (continued)

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 amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

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.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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.

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

Interest

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

Recognition

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

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

Measurement

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

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

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

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

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 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 (including grants)

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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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.

1.21 Investment income

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

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.

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).

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.23 Accounting by principals and agents (continued)

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 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 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

1.26 Fruitless and wasteful expenditure

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

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.27 Irregular expenditure

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

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

1.28 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.

1.29 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.

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.

1.30 Budget information

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

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

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

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

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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.31 Related parties

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

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

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

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

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

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

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

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

1.32 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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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 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• GRAP 103 (as revised): Heritage assets	April 1, 2023	Unlikely there will be a material impact

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• Guideline: Guideline on Accounting for Landfill Sites		Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction		Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2023	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact

The effective date of the Guideline: Guideline on Accounting for Landfill Sites and iGRAP7(as revised): Limit on defined benefit asset, minimum funding requirements and their interactions have not yet been determined.

3. Inventories

Consumable stores	21 394 051	21 719 880
Water for distribution	605 929	646 465
Unsold Properties Held for Resale	10 318	10 318
	22 010 298	22 376 663

Water for distribution

Opening balance	646 465	646 465
Authorised consumption - kl sold	(40 536)	-
Closing balance	605 929	646 465

4. Other financial assets

Designated at fair value

Listed shares-Sanlam Limited; Old Mutual Limited; Quilter PLC; Nedbank Group Limited	1 447 275	1 597 120
Other investments - Old Mutual Limited	1 682 296	1 682 296
	3 129 571	3 279 416
	3 129 571	3 279 416
	-	-

Current assets

Designated at fair value	3 129 571	3 279 416
Non-current assets	-	-
Current assets	3 129 571	3 279 416

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

5. Receivables from non-exchange transactions

Fines	22 680 874	19 656 586
Rates	945 155 697	988 619 557
Sundry debtors	25 096 349	24 640 931
Allowance for impairment	(816 600 765)	(451 201 186)
Unauthorised debit orders	19 724 089	19 675 117
	196 056 244	601 391 005

Madibeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from non-exchange transactions (continued)		
Statutory receivables general information		
Transaction(s) arising from statute		
Rates - Municipal Property Rates Act (MPRA) Section 2 states that a local municipality may levy a rate on property in its area.		
Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act (Act No. 93 of 1996)		
Determination of transaction amount		
Rates - Rates amount are determined in terms of Section 11 of the MPRA and the approved policy of the municipality.		
Fines - All fines are governed by the specific regulation which is applicable to the offense.		
Interest or other charges levied/charged		
Rates - Interest is raised on past due balances at the prime interest rate.		
Fines - No interest or other charges are raised on outstanding fines.		
Statutory receivables past due but not impaired		
Fines - Payment percentage of the fines is used to assess whether fines are impaired.		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
6. Receivable from exchange transactions		
Gross balances		
Electricity	226 855 127	236 133 774
Water	910 132 982	817 443 417
Sewerage	306 679 074	271 543 503
Refuse	286 536 771	245 057 291
Other	309 611 014	280 150 138
	2 039 814 968	1 850 328 123
Less: Allowance for impairment		
Electricity	(293 008 335)	(86 330 410)
Water	(730 845 924)	(387 218 598)
Sewerage	(235 007 624)	(124 580 512)
Refuse	(217 310 502)	(114 894 809)
Other	(93 003 238)	(376 474 692)
	(1 569 175 623)	(1 089 499 021)

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivable from exchange transactions (continued)		
Net balance		
Electricity	(66 153 208)	149 803 364
Water	179 287 058	430 224 819
Sewerage	71 671 450	146 962 991
Refuse	69 226 269	130 162 482
Other (specify)	216 607 776	(96 324 554)
	470 639 345	760 829 102
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	64 749 611	79 039 120
Short-term deposits	160 094 188	45 302 771
	224 843 799	124 341 891

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
ABSA Cheque account - 640000376	6 890 520	22 782 625	17 817 681	33 714 769
FNB Cheque account - Primary account 62547261602	19 960 948	29 657 992	20 881 136	30 486 549
FNB Cheque account - Licensing 62547263103	15 618 174	4 405 264	15 618 473	4 405 563
FNB Cheque account - Electricity 62547274423	-	-	10 349 761	10 349 679
Investec account - 1400189013500	1 224 088	1 184 212	1 228 716	1 184 212
FNB EQS Call account - 62564475210	2 274 806	2 326 007	2 274 806	2 326 007
FNB EPWP Call account - 62564478016	6 927	2 816 576	6 927	2 816 576
FNB MIG Call account - 62576598323	119 201 408	30 587	119 201 408	30 587
FNB MIG Retention call account - 62564479585	25 703 417	36 621 001	25 703 417	36 621 001
FNB FMG call account - 62550510153	2 432 297	2 218 802	2 432 297	2 218 802
FNB INEP call account - 62559313003	9 246 619	105 588	9 246 619	105 588
ODI ABSA	-	-	(1 550 091)	(1 550 091)
ABSA Mayoral	-	-	3 012	3 012
ABSA Licencing	-	-	24 158	24 158
ABSA Housing	-	-	(140)	(140)
ABSA Traffic	-	-	154 558	154 558
Total	202 559 204	102 148 654	223 392 738	122 890 830

The municipality held the following investment accounts during the year. The investments were fully withdrawn at year end, and thus do not have any impact on the cashbook at year end. These accounts are:-

- Nedbank - Acc number 037881098570
- ABSA - Acc number - 2079938006
- Standard Bank - Acc number - 048489409

Suspense Accounts

The municipality had following suspense accounts:

These suspense accounts are used as interfave votes, for the transfer of funds from one account to the other account.

Account number / description	Cash book balances	
	30 June 2022	30 June 2021
THIRD PARTY REFUNDS ACC 01:OPEN BALANCE	-	37 036
FNB/ABSA BANK RECON TRF:OPENING BALANCE	-	871 725
INTER BANK ACC SWEEPING:OPENING BALANCE	-	1 068 029
REVERSE R/D CHEQUE:OPENING BALANCE	-	(525 728)
Total	-	1 451 062

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	87 765 000	-	87 765 000	86 495 000	-	86 495 000

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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8. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	86 495 000	1 270 000	87 765 000

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	88 380 000	(1 300 000)	(585 000)	86 495 000

Pledged as security

No portion of investment property has been pledged as security for liabilities.

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.

Madibeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022				2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value		
Land	947 995 658	-	947 995 658	947 995 658	-	947 995 658		
Buildings	152 462 431	(53 286 684)	99 175 747	152 462 431	(46 959 245)	105 503 186		
Infrastructure	8 132 577 800	(4 954 553 421)	3 178 024 379	7 968 969 894	(4 650 692 678)	3 318 277 216		
Community	199 097 154	(58 945 123)	140 152 031	198 575 415	(52 416 282)	146 159 133		
Work in progress	385 320 851	-	385 320 851	360 093 222	-	360 093 222		
Land fillsite	20 932 898	(14 618 306)	6 314 592	21 880 441	(14 214 854)	7 665 587		
Other property, plant and equipment	168 605 826	(79 037 504)	89 568 322	100 680 458	(60 098 846)	40 581 612		
Total	10 006 992 618	(5 160 441 038)	4 846 551 580	9 750 657 519	(4 824 381 905)	4 926 275 614		

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	947 995 658	-	-	-	-	-	-	947 995 658
Buildings	105 503 186	-	-	-	-	(4 828 900)	(1 498 539)	99 175 747
Infrastructure	3 318 277 216	-	(580 665)	171 878 125	-	(309 151 901)	(2 398 396)	3 178 024 379
Community	146 159 133	-	-	521 739	-	(6 528 841)	-	140 152 031
Work in progress	360 093 222	197 627 493	-	(172 399 864)	-	-	-	385 320 851
Land fillsite	7 665 587	-	-	-	(947 543)	(403 452)	-	6 314 592
Other property, plant and equipment	40 581 612	67 925 368	-	-	-	(15 843 267)	(3 095 391)	89 568 322
	4 926 275 614	265 552 861	(580 665)	-	(947 543)	(336 756 361)	(6 992 326)	4 846 551 580

Madibeng Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	946 695 658	-	-	-	1 300 000	-	-	-	-	947 995 658
Buildings	110 391 725	-	-	-	-	-	-	(4 888 539)	-	105 503 186
Infrastructure	3 386 494 938	-	-	(1 588 734)	-	234 650 886	552 828	(299 012 615)	(2 820 087)	3 318 277 216
Community	152 674 540	-	-	-	-	-	-	(6 515 407)	-	146 159 133
Work in progress	252 649 318	-	342 094 790	-	-	(234 650 886)	-	(924 938)	-	360 093 222
Land fillsite	9 249 382	-	-	-	-	-	(658 857)	(924 938)	-	7 665 587
Other property, plant and equipment	51 214 809	1 364 832	-	(480 581)	-	-	-	(11 494 813)	(22 635)	40 581 612
	4 909 370 370	1 364 832	342 094 790	(2 069 315)	1 300 000	-	(106 029)	(322 836 312)	(2 842 722)	4 926 275 614

Pledged as security

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

Repairs and maintenance

Repairs and maintenance

69 253 564 88 101 964

Madibeng Local Municipality

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10. Intangible assets

	2022			2021		
	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	(4 888 154)	2	4 888 156	(4 187 295)	700 861

11. Heritage assets

	2022			2021		
	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

Reconciliation of heritage assets - 2022

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

Reconciliation of heritage assets - 2021

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

Pledged as security

None of the heritage assets were pledged as security.

Madibeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Other financial liabilities		
At amortised cost		
Public Investment Corporation	325 279 924	325 279 924
Interest is charged 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 has been accounted for as loan in the statement of financial position. No payments were made against the loan.		
Current liabilities		
At amortised cost	325 279 924	325 279 924
13. Operating lease asset (liability)		
Current liabilities	(14 784 950)	(23 405 984)
14. Payables from exchange transactions		
Trade payables	1 198 410 964	934 159 364
Payments received in advanced	183 739 286	190 799 591
Retentions	75 340 572	75 343 192
Unallocated deposits	114 377 638	114 355 256
Bonus accrual	12 882 764	12 788 424
Leave accrual	47 534 969	51 307 008
Salaries third party payments	12 459 712	12 459 712
	1 644 745 905	1 391 212 547
15. VAT payable		
VAT claimable by SARS	19 575 392	-
16. Consumer deposits		
Consumer deposits	25 218 890	40 287 645
17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post medical aid retirement plan	(154 762 000)	(124 216 000)
Long term service award	(20 591 011)	(30 546 000)
	(175 353 011)	(154 762 000)
Non-current liabilities	(168 108 011)	(147 318 000)
Current liabilities	(7 245 000)	(7 444 000)
	(175 353 011)	(154 762 000)

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 dependents may continue membership of the scheme.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Loans to directors, managers and employees (continued)		
Changes in the present value of the defined benefit(Medical aid) obligation are as follows:		
Opening balance	124 216 000	119 780 000
Benefits paid	(4 068 000)	(3 769 000)
Net expense recognised in the statement of financial performance	22 503 000	8 205 000
	142 651 000	124 216 000

Net expense recognised in the statement of financial performance

Current service cost	6 767 000	5 095 000
Interest cost	13 716 000	15 230 000
Actuarial (gains) losses	2 020 000	(12 120 000)
	22 503 000	8 205 000

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.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

17. Loans to directors, managers and employees (continued)

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.

Opening balance	30 546 000	25 259 000
Current service costs	2 721 000	2 305 000
Interest costs	3 312 000	3 011 000
Benefits paid	(3 094 000)	(1 845 000)
Actuarial (gains) losses	(783 000)	1 816 000

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Financial Management Grant	105 527	-
Municipal Infrastructure Grant	73 604 332	5 656 478
Water Service Infrastructure Grant	1 294 200	-
Library Grant	253 089	867 046
Integrated National Electrification Programme	19 215	-
	75 276 363	6 523 524

Movement during the year

Balance at the beginning of the year	6 523 524	140 269 837
Additions during the year	311 370 097	265 688 106
Income recognition during the year	(242 617 258)	(399 434 419)
	75 276 363	6 523 524

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 attaching to government assistance that has been recognised.

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

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

19. Finance lease obligation

Minimum lease payments due

- within one year	4 647 470	4 647 470
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Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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20. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Adjustment for interest	Change in discount factor	Total
Provision for restoration of landfill site	18 683 856	1 648 570	(947 543)	19 384 883

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for restoration of landfill site	18 008 181	1 334 532	(658 857)	18 683 856

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration is the Hartebeesfontein landfill situated on portion 37 (a portion of portion 3) of the farm Hartebeesfontein 445 JQ.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Mohr, both from Environmental & Sustainability Solutions. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES) He holds a Master's degree in Science as well as Master's Degree in Accounting. He is also a member of Chartered Institute of Government Finance, Audit and Risk Officers (CICFARO). Dr Mohr holds an MBA as well as a D Tech and a member of the Institute of Directors.

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 6.6085%.

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. 4% above CPI.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

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21. Service charges		
Sale of electricity	551 120 213	506 853 395
Sale of water	142 063 133	171 344 043
Sewerage and sanitation charges	48 520 559	54 978 877
Refuse removal	58 103 190	56 544 740
	799 807 095	789 721 055
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of equipment	1 931 110	4 952 056
Facilities and equipment	1 931 110	4 952 056
23. Income from agency services		
Vehicle Registration	14 180 025	12 591 289
24. Licences and permits		
Road and Transport	6 336 607	4 794 813
25. Other income		
Cemetery fees	1 762 839	1 510 378
Town planning	2 243 309	2 481 052
Reconnection fees	3 818 438	1 377 602
Service connections	385 655	252 891
Gain on reversal of impairment loss*	2 121 566	-
Other services	148 321	-
Tender document fees	283 451	910 125
Valuation fees	430 124	156 028
Bulk services	40 887	14 300
Clearance certificates	189 442	187 853
Development charges	-	203 980
Advertising	45 553	37 933
Sale of nursery plants	1 321	2 060
Notice fees	6 402 956	14 236 625
Administrative handling fees	7 755	13 472
	17 881 617	21 384 299

* The municipality had previously written off investment in VBS Mutual Bank by recognising an impairment loss of R31 504 248 in the 2017/18 financial year. During the current financial year, the municipality received an amount of R2 121 566 from Liquidators of VBS Mutual Bank.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Investment revenue		
Dividend revenue		
Interest from call account	5 764 910	4 701 465
Interest from current account	1 137 831	992 701
	6 902 741	5 694 166
Interest revenue		
Interest charged on trade and other receivables	99 040 462	114 823 213
	6 902 741	5 694 166
	99 040 462	114 823 213
	105 943 203	120 517 379
27. Property rates		
Rates received		
Residential	149 991 273	178 220 748
Commercial	49 042 790	64 442 602
State	51 059 090	37 866 764
Small holdings and farms	43 565 541	56 312 781
	293 658 694	336 842 895
28. Government grants & subsidies		
Operating grants		
Equitable share	818 913 000	902 288 000
Financial Management Grant	2 694 473	2 600 000
	821 607 473	904 888 000
Capital grants		
Expanded Public Works Programme (EPWP)	1 175 000	1 150 000
Municipal Infrastructure Grant	221 181 146	379 644 540
Water Service Infrastructure Grant	7 972 298	-
Energy Efficiency & Demand Side Management Grant	3 500 000	-
Library Grant	1 614 527	180 034
North West Infrastructure Grant - COGTA	9 980 785	14 200 000
Disaster Relief Grant	-	555 105
	245 423 756	395 729 679
	821 607 473	904 888 000
	245 423 756	395 729 679
	1 067 031 229	1 300 617 679
Financial Management Grant		
Current-year receipts	2 800 000	2 600 000
Conditions met - transferred to revenue	(2 694 473)	(2 600 000)
	105 527	-

Conditions still to be met - remain liabilities (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 refunds have been withheld.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

28. Remuneration of councillors (continued)

Expanded Public Works Programme

Current-year receipts	1 175 000	1 150 000
Conditions met - transferred to revenue	(1 175 000)	(1 150 000)

- -

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

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 656 478	140 038 758
Current-year receipts	294 785 000	246 367 000
Conditions met - transferred to revenue	(221 180 668)	(379 923 280)
Equitable share (Held back)	-	(826 000)
Repayment of unspent	(5 656 478)	-
	73 604 332	5 656 478

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

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

Water Services Infrastructure Grant

Current-year receipts	9 266 499	-
Conditions met - transferred to revenue	(7 972 299)	-
	1 294 200	-

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

The grant is intended to help the municipality with water services..

Library grant

Balance unspent at beginning of year	867 046	231 080
Current-year receipts	1 016 000	816 000
Conditions met - transferred to revenue	(1 614 527)	(180 034)
Repayment of unspent	(15 430)	-
	253 089	867 046

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

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

Intergrated National Electrification Programme

Current-year receipts	10 000 000	14 200 000
Conditions met - transferred to revenue	(9 980 785)	(14 200 000)
	19 215	-

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

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

Madibeng Local Municipality

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	2022	2021
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28. Remuneration of councillors (continued)

Energy Efficiency & Demand Side Management Grant

Current-year receipts	3 500 000	-
Conditions met - transferred to revenue	(3 500 000)	-
	-	-

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

The grant is intended to help the municipality with energy efficiency and service delivery.

North West Infrastructure Grant - COGTA

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

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

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

29. Fines, Penalties and Forfeits

Law Enforcement Fines	3 642 972	3 006 263
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30. Employee related costs

Basic	358 583 205	343 285 794
Bonus	28 586 561	28 086 497
Medical aid	45 264 570	42 063 129
UIF	2 846 450	2 440 575
Leave pay provision charge	16 556 440	16 528 441
Provident and pension fund	73 114 117	72 331 659
Travel allowance	35 149 795	32 932 439
Overtime payments	42 154 365	38 201 745
Acting allowances	3 627 523	2 984 093
Telephone / Cellphone allowance	370 529	406 109
Housing benefits and allowances	3 161 006	2 991 476
Industrial council	5 006 874	4 688 359
Stand by allowance	5 986 437	4 612 683
	620 407 872	591 552 999

Remuneration of municipal manager - Ms M Mmope

Acting allowance	162 891	-
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Ms M Mmope was appointed as Acting Municipal Manager from 07 December 2021 to 30 June 2022.

Remuneration of municipal manager - Mr NM Seanego

Annual Remuneration	305 576	351 174
Contributions to UIF, Medical and Pension Funds	1 021	744
	306 597	351 918

Mr SN Seanego was appointed as Acting Municipal Manager from 01 July 2021 to 06 December 2021.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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30. Employee related costs (continued)

Remuneration of chief financial officer - Mr T Molebaloa

Acting allowance	77 316	-
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Mr T Molebaloa was appointed as Acting Chief Financial Officer from 18 March 2022 to 30 June 2022.

Remuneration of chief financial officer - Mr T Molatlhegi

Annual Remuneration	179 118	-
Acting allowance, Travel allowance, Subsistence and other allowances	2 884	-
Contributions to UIF, Medical and Pension Funds	122	-
	182 124	-

Mr T Molatlhegi was appointed as Acting Chief Financial Officer from 01 October 2021 to 17 March 2022.

Remuneration of chief financial officer - Mr T Lefutswe

Annual Remuneration	282 429	923 355
Acting allowance, Travel allowance, Subsistence and other allowances	70 607	235 358
Contributions to UIF, Medical and Pension Funds	531	1 487
Leave pay	119 306	-
	472 873	1 160 200

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

Remuneration of director community services - Ms M Mmope

Annual Remuneration	709 735	705 619
Acting allowance, Travel allowance, Subsistence and other allowances	444 661	444 662
Performance Bonuses	58 802	58 802
Contributions to UIF, Medical and Pension Funds	243 398	237 905
Leave pay	22 580	22 580
	1 479 176	1 469 568

Ms M Mmope was appointed as Director of Community Services as permanent staff.

Remuneration of director community services - Mr AT Sambo

Acting allowance	154 534	-
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Mr AT Sambo was appointed as Acting Director of Community Services from 07 Dec 2021 to 30 June 2022.

Remuneration of Director Corporate Support Services - Mx X Magwala

Acting allowance, Travel allowance, Subsistence and other allowances	134 281	362 751
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Mr X Magwala was appointed as Acting Director Corporate Support Services from 01 July 2021 to 31 January 2022.

Remuneration of Director Corporate Support Services - Adv NE Mmbengwa

Acting allowance	106 857	-
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Adv NE Mmbengwa is appointed as Acting Director Corporate Support Services from 01 February 2022 to 30 June 2022.

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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30. Employee related costs (continued)

Remuneration of Director Public Safety - Mr FB Komane

Acting allowance	265 020	-
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Mr FB Komane is appointed as Acting Director Public Safety from 01 February 2022 to 30 June 2022.

Remuneration of Director Public Safety - Mr M Khoza

Acting allowance	154 417	218 576
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Mr M Khoza was appointed as Acting Director Public Safety from 01 July 2021 - 31 January 2022.

Remuneration of Director Infrastructure and Technology Services - Mr L Motlhamme

Acting allowance	97 283	165 750
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Mr L Motlhamme was appointed as Acting Director of Infrastructure and Technology Services from 01 February 2022 to 30 June 2022.

Remuneration of Director Infrastructure and Technology Services - Mr D Dliwayo

Acting allowance	151 467	165 750
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Mr D Dliwayo was appointed as Acting Director Infrastructure and Technology Services from 01 July 2021 to 31 January 2022.

Remuneration of Director Local Economic Development - Mr STN Mnisi

Annual Remuneration	1 177 181	1 177 181
Acting allowance, Travel allowance, Subsistence and other allowances	249 866	249 866
Contributions to UIF, SDL, Medical and Pension funds	16 042	15 698
	1 443 089	1 442 745

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

Remuneration of Director Local Economic Development - Ms MJ Motswatswe

	61 702	298 463
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Ms MJ Motswatswe was appointed as Acting Director Local Economic Development from 01 July 2021 to 31 August 2021.

Remuneration of Director Human Settlement - Mr DN Pule

Acting allowance	247 108	237 665
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Mr DN Pule is appointed as Acting Director Local Economic Development from 01 July 2021 to 30 June 2022.

Remuneration of Chief Audit Executive - Mr MA Mmaphetho

Madibeng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Employee related costs (continued)		
Annual Remuneration	423 046	720 078
Acting allowance, Travel allowance, Subsistence and other allowances	296 943	509 045
Contributions to UIF, SDL, Medical and Pension funds	127 905	214 975
Leave pay	209 535	-
	1 057 429	1 444 098

Mr MA Mmaphetho's contract ended on 31 January 2022.

31. Remuneration to councillors

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

Councillor's remuneration - June 2022	Basic salary	Travel allowance	Cellphone allowance	Other allowance	Total
Executive Mayor	500 871	184 953	40 895	138 729	865 448
Speaker	442 807	151 790	42 814	94 943	732 354
Chief whip	465 498	142 304	42 814	38 643	689 259
Members of the mayoral committee	4 765 391	1 484 392	472 405	546 607	7 268 795
Other councillors	14 171 671	4 081 578	3 018 469	1 177 814	22 449 532
	20 346 238	6 045 017	3 617 397	1 996 736	32 005 388

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

32. Depreciation and amortisation

Property, plant and equipment	336 756 361	322 836 926
Intangible assets	700 859	1 629 385
	337 457 220	324 466 311

33. Finance costs

Finance lease	-	18 103
Late payments charges	14 931 544	39 290 257
Interest cost on landfill site provision	1 648 570	1 334 532
Defined benefit obligation	17 028 000	18 241 000
	33 608 114	58 883 892

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

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Figures in Rand	2022	2021
34. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	-	34 943 111
Equipment		
Contractual amounts	5 690 550	5 690 550
	5 690 550	40 633 661
35. Debt impairment		
36. Bulk purchases		
Electricity - Eskom	654 285 440	556 118 523
Water	154 285 927	129 905 386
	808 571 367	686 023 909
37. Contracted services		
Outsourced Services		
Information Technology Services	13 371 792	16 850 140
Security Services	73 879 482	51 980 155
Refuse Removal	6 681 940	5 754 063
Accounting Support and Advisory Services	25 108 385	32 398 566
Internal Audit Services	683 722	636 311
Revenue Consultants	14 760 664	8 482 149
	134 485 985	116 101 384
38. Fair value adjustments		
Investment property (Fair value model)	1 270 000	(585 000)
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(149 846)	172 375
	1 120 154	(412 625)

Madibeng Local Municipality

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39. Other operational expenditure		
Advertising	2 547 631	1 179 500
Auditors remuneration	7 144 128	9 777 929
Bank charges	3 143 029	4 964 497
Assistant to indigents	45 590	1 879 000
Consulting and professional fees	15 734	35 332
Consumables	13 811 655	12 069 331
Discount allowed	40 416 070	94 580 199
Graphic designs	221 461	-
Grant expenses	97 485	106 587
Insurance	442 265	14 267 471
Community development and training	219 495	158 902
Sports development	-	41 700
Geographical information system	237 484	432 688
Marketing	55 000	79 000
Commission to vendors	1 142 991	-
Motor vehicle expenses	670 601	1 007 751
Water and Electricity	16 122 198	-
Postage and courier	6 515	3 956
Printing and stationery	131 127	59 749
Audit committee costs	377 511	508 326
Protective clothing	2 559 861	2 783 271
Repairs and maintenance	69 253 564	88 101 964
Library service	608 659	-
Subscriptions and membership fees	46 806	101 495
Telephone and fax	5 616 697	5 610 856
Valuation expenses	947 901	273 750
Training cost	2 179 655	2 323 343
Travel and accommodation	1 418 193	475 391
Refuse	1 527 213	1 545 485
SALGA	6 530 196	11 891 973
Water Resource Management Charges	380 789	-
Licence fees	29 750	-
Write offs	37 347	382 402
Plant and machinery hire expenses	102 029 300	34 627 832
Other expenses	2 559 387	3 157 616
Attending of meetings and congresses	114 585	35 975
Legal services	19 097 071	16 454 982
Project management costs	5 323 547	5 764 522
Social programmes	156 721	200 000
Ward committees expenses	2 652 900	3 569 000
Mayoral out-reach programme	2 176 487	73 000
Chemical cost	14 023 745	11 149 069
Community participation	2 063 408	758 550
COVID 19 Expenses	400 381	819 874
Mobile chemical toilets	2 834 877	25 380
	331 417 010	331 277 648

Madibeng Local Municipality

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40. Revenue

Service charges	799 807 095	789 721 055
Rental of facilities and equipment	1 931 110	4 952 056
Agency services	14 180 025	12 591 289
Licences and permits	6 336 607	4 794 813
Other income - (rollup)	17 881 617	21 384 299
Interest received - investment	99 040 462	114 823 213
Dividends or similar distributions received	6 902 741	5 694 166
Property rates	293 658 694	336 842 896
Government grants & subsidies	1 067 031 229	1 300 617 679
Fines, Penalties and Forfeits	3 642 972	3 006 263
	2 310 412 552	2 594 427 729

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

Service charges	799 807 095	789 721 055
Rental of facilities and equipment	1 931 110	4 952 056
Agency services	14 180 025	12 591 289
Licences and permits	6 336 607	4 794 813
Other income - (rollup)	17 881 617	21 384 299
Interest received - investment	99 040 462	114 823 213
Dividends or similar distributions received	6 902 741	5 694 166
	946 079 657	953 960 891

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

Taxation revenue		
Property rates	293 658 694	336 842 896
Transfer revenue		
Government grants & subsidies	1 067 031 229	1 300 617 679
Fines, Penalties and Forfeits	3 642 972	3 006 263
	1 364 332 895	1 640 466 838

41. Other revenue

Other income - (rollup)	17 881 617	21 384 299
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42. Cash generated from operations		
(Deficit) surplus	(1 532 088)	1 221 873 668
Adjustments for:		
Depreciation and amortisation	337 457 220	323 807 454
Loss on sale of assets and liabilities	580 660	2 069 315
Surplus on distribution of non-cash assets to owners	-	145 585 576
Fair value adjustments	(1 120 154)	412 625
Dividends or similar distributions received	-	-
Impairment of PPE	6 992 326	2 842 722
Debt impairment	-	(922 448 073)
Actuarial gain - employee benefit	-	(18 254 769)
Movements in retirement benefit assets and liabilities	20 591 011	9 723 000
Movement in provisions	701 027	(4 843 222)
Other non-cash items	(1 022 845 103)	63 685 960
Changes in working capital:		
Inventories	366 366	(3 071 364)
Other receivables	(5 751 678)	(102 316 599)
Receivables from exchange transactions	249 136 829	(153 174 258)
Other receivables from non-exchange transactions	446 387 689	(10 758 129)
Prepayments	80 833	(80 833)
Payables from exchange transactions	253 533 358	(164 987 422)
VAT payable	35 465 878	(20 356 158)
Other financial assets	-	4 848 705
Unspent conditional grants	68 752 839	(133 746 312)
Consumer deposits	(15 068 755)	240 823
	373 728 258	241 052 709
43. Auditors' remuneration		
Fees	7 144 128	9 777 929
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Water	10 839 859	16 987 852
• Sanitation	21 773 049	52 226 324
• Roads and stormwater	109 711 779	91 410 963
• Other projects	8 403 770	17 403 553
	150 728 457	178 028 692
Total capital commitments		
Already contracted for but not provided for	150 728 457	178 028 692

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.

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45. Contingencies		
Contingent liabilities		
1. Sobeka Engineering Claiming for services rendered and cancellation of contract	8 721 323	8 611 253
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, suffering and general damages he allegedly suffered when he was electrocuted by a meter installed by the municipality	4 000 000	4 000 000
4. William Moeketsi Claiming damages for falling into an open/uncovered manhole situated in Mayening, Mamba Section	1 060 000	1 060 000
5. Kuhle General Consulting The plaintiff is claiming for services allegedly rendered to the municipality	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 breach of undertaking and damages incurred for rendering of additional 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 to	250 000	250 000
11. Donovan David Peter De Bryun Claiming for loss suffered as a result of the municipality's alleged 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 visibility of warning signs	250 000	250 000
12. SADC Directory Services (Pty) Ltd The plaintiff issued summons against the municipality for alleged directory services in the form of a full colour page display advertorial in part verbal and part written contract entered into for a period of 12 months. The plaintiff has filed for summary judgement application following summons	273 532	273 532
13. Andries Hendrik Vermaak The plaintiff is suing for damages for car colliding with large pothole situated within the jurisdiction of the municipality.	9 266	9 266
14. Telkom The plaintiff is claiming for loss of copper cables allegedly caused by the municipality	36 085	-
15. Telkom The plaintiff is claiming for payment for cables allegedly damaged by the municipality in Mnakau, Sonop and Mothutlung	39 827	-
16. Stephen Mphedi Madiro The plaintiff is suing both Madibeng and Bojanala for raw sewer spillage in his property due to the municipalities failure to maintain sewer system	16 842 500	16 842 500
17. Boss Directory Services The plaintiff is claiming for services allegedly rendered	683 724	683 724
18. Seratjile Trading and Projects The plaintiff issued summons for loss of profit suffered between January 2018 to March 2019	-	178 500
19. Freddy Sello Lamo The plaintiff has instituted claim for damages allegedly suffered as a result of unfair discrimination at the workplace	-	6 000 000
20. Black Forum Africa/Morris Mahlangu Glory The plaintiff is claiming for unlawful act of removing Beverly Hills Section under the municipality's jurisdiction without proper procedure	2 800 000	2 800 000

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45. Contingencies (continued)		
21. Resilent Properties Claiming for damages of former employees actions	28 803 025	28 803 025
22. Sebobe Gabriel & Job Rapula Claiming for damages suffered as a result of roads and stormwater drains	-	1 400 000
23. Bertobrite (Pty) Ltd Claiming for damages suffered as a result of breach of contract Terms and conditions	18 185 027	18 185 027
24. LSO The plaintiff alleges that the municipality failed to pay him three months of services rendered	4 810 747	4 810 747
25. Sekati-Sekati Incorporated Attorneys Claiming amount alleged to be for outstanding services rendered as a final invoice for disciplinary proceedings	-	696 843
26. Ubane Salome Melabo Claim for damages for falling into a 1 to 1.5 meter deep unmarked construction hole at Hebron intersection of M20 and Lucas Mangope Road	909 500	909 500
27. Ngwenya River Estate The plaintiff is claiming for damages for repair of substation and/or pump station	188 198	188 198
28. Ikanyeng Kamogelo Masenamela The plaintiff is claiming for damages suffered by colliding with a pothole at an unknown intersection in Brits	9 874	9 874
29. Flame IT Claiming for outstanding amount for services allegedly rendered	54 604 678	54 000 000
30. Mosoma Pokisi Daniel Claiming for damages for the death of a minor child who fell in a open hole at Thelele Section of Mmakau Village	20 000 000	-
31. Leon Van Rhyn The plaintiff claims for damages as a result of collusion caused by pothole	1 064 849	-
32. Phillipus Hohanne Van Den Berg Claim for damages caused by pothole	65 609	-
33. Martin Jordan Claim for damages due to a lack of road marking. The plaintiff drove his quardricycle into exposed building materials	5 928 000	-
34. Stephen Velaphi Chauke Claim for damages caused by a pothole	16 800	-
35. Movundlela Consulting Claim for the sum of R327 836.25 and interest of 7% per annum for services rendered to the municipality	327 838	-
36. Kosmos Ridge Homeowners Association Claim for municipality to implement 2014 court order	20 000	-
	241 031 800	221 093 387

Contingent assets

1. Emerald Sky Trading 570 (Pty) Ltd The municipality is claiming for outstanding property rates	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.

Madibeng Local Municipality

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46. Risk management (continued)

Liquidity risk

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

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

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	Net assets	
Other financial assets	3 129 571	3 279 416
Receivables from exchange transactions	464 078 382	378 973 952
Receivables from non-exchange transactions	196 581 330	220 116 904
Cash and cash equivalent	225 530 759	124 363 349
Payables from exchange transactions	1 756 183 518	1 500 044 849

Market risk

Interest rate risk

As the municipality carries a significant amount of cash invested throughout the year. An increase or decrease in the prime interest rate will have an impact on the interest income.

47. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 3 580 274 712 and that the municipality's total liabilities exceed its assets by 3 580 274 713.

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.

48. Unauthorised expenditure

Opening balance as previously reported	2 458 040 563	2 456 579 142
Add: Unauthorised expenditure - prior period - Unauthorised debit orders**	48 972	1 461 421
Closing balance	2 458 089 535	2 458 040 563

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

Cash	48 972	72 054 351
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Figures in Rand	2022	2021
48. Unauthorised expenditure (continued)		
Analysed as follows: cash		
Bulk purchases	-	69 599 442
General expenditure	-	993 488
Unauthorised debit orders	48 972	1 461 421
	48 972	72 054 351
Unauthorised expenditure: Budget overspending – per municipal department:		
Infrastructure and Technical services	-	70 592 930
Budget and Treasury	48 972	1 461 421
	48 972	72 054 351
49. Fruitless and wasteful expenditure		
Opening balance as previously reported	103 442 029	81 777 670
Add: Fruitless and wasteful expenditure identified - current	14 943 209	21 664 359
Closing balance	118 385 238	103 442 029

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49. Fruitsless and wasteful expenditure (continued)

Details of fruitsless and wasteful expenditure

Details of current year movements

Eskom - Interest raised on late payment of accounts	12 978 132	9 984 779
Rand Water - Interest raised on late payment of accounts	87 894	271 423
Department of Water and Sanitation - Interest raised on late payment of accounts	1 865 517	2 494 687
Telkom - Interest on late payment of accounts	11 666	-
City of Tshwane (Electricity) - Interest on late payment of accounts	-	673 288
City of Tshwane (Water) - Interest on late payment of accounts	-	7 999 777
Auditor General South Africa	-	240 405
	14 943 209	21 664 359

50. Irregular expenditure

Opening balance as previously reported	2 807 715 443	2 240 440 277
Add: Irregular expenditure - current	442 706 434	566 708 563
Limitation of scope	-	566 603
Contravention with municipal supply chain policy	32 970 239	-
Closing balance	3 283 392 116	2 807 715 443

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51. Deviation from supply chain management regulations

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

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

Class	2022	2021
Emergency	37 562 334	4 039 690
Sole supplier	217 966	142 931
Impractical or impossible to follow normal process	20 864 665	2 516 169
	58 644 965	6 698 790

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	6 515 133	5 388 179
Current year subscription / fee	6 686 499	6 113 519
Amount paid - current year	(3 016 000)	(4 986 565)
	10 185 632	6 515 133

Audit fees

Opening balance	4 967 869	5 933 497
Current year fee	9 122 600	11 277 903
Amount paid - current year	(6 134 029)	(12 243 531)
	7 956 440	4 967 869

PAYE and UIF

Opening balance	5 537 651	3 915 350
Current year fee	101 510 321	91 668 559
Amount paid - current year	(101 014 366)	(90 046 258)
	6 033 606	5 537 651

Pension and Medical Aid Deductions

Opening balance	10 093 572	9 262 047
Current year fee	185 563 461	182 055 808
Amount paid - current year	(185 356 060)	(181 224 283)
	10 300 973	10 093 572

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Figures in Rand	2022	2021	
52. 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 30 June 2022:			
30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
DS Maimane	3 630	22 639	26 269
M Du Plessis	3 065	8 936	12 001
JM Mamabolo	5 669	26 472	32 141
KS Komape	9 357	5 857	15 214
HL Laurens	306	784	1 090
EM Bopape	1 930	21 297	23 227
MS Moloji	2 101	382	2 483
TW Mhlanga	4 730	99 998	104 728
JC Van Rhyn	-	14	14
	30 788	186 379	217 167

Some of the councillors's outstanding accounts were not disclosed in the current year as their term of office ended in the previous year.

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
MG Sadikga	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 Mhlanga	6 365	90 329	96 694
JM Mothibe	6 938	61 618	68 556
J Ratlo	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 Maumatlala	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 Madiha	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 Pretorius	8	485	493
AWS Malatse	8	483	491
RR Mohulatsi	8	482	490

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Figures in Rand		2022	2021
52. Additional disclosure in terms of Municipal Finance Management Act (continued)			
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

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

53. Operating (deficit) surplus

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

Operating lease charges

Motor vehicles			
• Contractual amounts		-	34 943 111
Equipment			
• Contractual amounts		5 690 550	5 690 550
		5 690 550	40 633 661

Loss on sale of property, plant and equipment	(580 665)	(2 069 315)
Impairment on property, plant and equipment	6 992 326	2 842 722
Loss on biological assets and agricultural produce	-	(658 857)
Surplus on distribution of non-cash assets to owners	-	(795 117 262)
Amortisation on intangible assets	700 859	1 629 385
Depreciation on property, plant and equipment	336 756 361	322 836 926
Employee costs	652 413 260	623 212 914
Research and development	608 659	-

54. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	Refer to note 31
Member of key management	Refer to note 30
Close family member of key management	There were no transactions between close family members of key management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 17

55. Comparative figures

Certain comparative figures have been reclassified.

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55. Comparative figures (continued)

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

56. Accounting by principals and agents

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

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

The municipality acts on behalf of the department to issue licenses 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 to issue licences, 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 charges that occurred during the reporting period.

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

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

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

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

57. Prior-year adjustments

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

Statement of financial position

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57. Prior-year adjustments (continued)

Assets

	Note	Audited balance	Prior period error	Change in accounting policy	Restated
Receivables from non exchange transactions		203 479 113	397 911 892	-	601 391 005
Vat receivable		17 078 257	-	(1 187 767)	15 890 490
Receivable from exchange transactions		345 652 881	415 176 221	-	760 829 102
Other receivables		26 596 116	-	1 187 767	27 783 883
Property, plant and equipment		4 908 322 754	17 400 032	-	4 925 722 786
		5 501 129 121	830 488 145	-	6 331 617 266

	Note	Audited balance	Prior period error	Restated
Payables from exchange transactions		1 472 115 145	(80 902 598)	1 391 212 547
Consumer deposits		40 296 517	(8 872)	40 287 645
Finance lease liability		5 601 087	(953 617)	4 647 470
Provisions		25 556 986	(6 873 130)	18 683 856
		1 543 569 735	(88 738 217)	1 454 831 518

Net assets

	Note	Audited balance	Prior period error	Restated
Accumulated surplus		3 957 559 386	919 226 362	4 876 785 748

Statement of financial performance

	Note	Audited balance	Prior period error	Change in accounting policy	Re-classification	Restated
Service charges		809 553 614	-	-	736 906	810 290 520
Other operational income		22 119 444	-	-	(735 145)	21 384 299
Gain on provision for landfill site		2 029 908	(2 688 765)	-	-	(658 857)
Gain on reversal of debt impairment		(49 958 920)	-	845 076 182	-	795 117 262
Finance costs		(40 221 661)	(18 662 231)	-	-	(58 883 892)
Depreciation		(332 896 696)	(1 569 615)	-	-	(324 466 311)
Bulk purchases		(765 999 443)	79 975 534	-	-	(686 023 909)
Contracted services		(135 095 102)	26 268 935	-	(7 275 217)	(116 101 384)
Other operational expenditure		(332 101 493)	(27 019 075)	-	7 273 456	(351 847 112)
Surplus for the year		(822 570 349)	56 304 783	845 076 182	-	88 810 616

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57. Prior-year adjustments (continued)

Change in accounting policy

The following change in accounting policies occurred:

Receivable from exchange transaction

GRAP 9 - Revenue from exchange transaction

The municipality has changed the accounting policy relating to the manner in which impairment calculations are performed. In terms of the new policy, impairment on receivables from exchange transactions is performed taking into account the risk scoring for each consumer debtor, the status of the account, the scoring type and the account type per consumer. In addition, payment risk factors are considered for each debtor in accordance with GRAP standards on both impairment of non-cash generating assets and the Revenue from exchange transactions.

The new accounting policy provides reliable and more accurate information of consumer debtors. The accounting policy is also in line with the guidelines issued by the Office of the Accountant General (OAG) of National Treasury that requires each municipality to demonstrate proper thought process in determining impairment of debtors.

Receivables from non exchange transactions

GRAP 23 - Revenue from non exchange transaction (Taxes and Transfers)

The municipality has changed the accounting policy relating to the manner in which impairment calculations are performed. In terms of the new policy, impairment on receivables from non exchange transactions is performed taking into account the risk scoring for each consumer debtor, the status of the account, the scoring type and the account type per consumer. In addition, payment risk factors are considered for each debtor in accordance with GRAP standards on both impairment of non-cash generating assets and the Revenue from non exchange transactions.

The new accounting policy provides reliable and more accurate information of consumer debtors. The accounting policy is also in line with the guidelines issued by the Office of the Accountant General (OAG) of National Treasury that requires each municipality to demonstrate proper thought process in determining impairment of debtors.

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic services and Trading services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in Madibeng and surrounding areas in the North West Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West were sufficiently similar to warrant aggregation.

Madibeng Local Municipality

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58. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment

Governance and administration
Community and public safety

Economic and environmental services
Trading Services

Goods and/or services

Administration and financial services
Community and social services, sports recreation and public safety

Planning and development and road transport
Energy sources, Water management, Waste water management and waste management

Madibeng Local Municipality

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58. Segment Information (continued)

Segment surplus or deficit, assets and liabilities

Net assets

	Governance and administration	Community and public safety	Economic and environmental services	Trading services	Variance	Total
Revenue						
Total segment revenue	1 164 831 000	90 460 000	1 290 000	1 274 662 000	(297 728 994)	2 233 514 006
Interest revenue	-	-	-	-	105 943 203	105 943 203
Total segment revenue	1 164 831 000	90 460 000	1 290 000	1 274 662 000	(191 785 791)	2 339 457 209
Entity's revenue						2 339 457 209
Expenditure						
Total segment expenses	867 579 000	555 566 000	28 845 000	1 344 201 000	(814 848 018)	1 981 342 982
Depreciation and amortisation	-	-	-	-	326 038 200	326 038 200
Interest expenses	-	-	-	-	33 608 114	33 608 114
Total segment expenditure	867 579 000	555 566 000	28 845 000	1 344 201 000	(455 201 704)	2 340 989 296
Total segmental surplus/(deficit)						(1 532 087)

Information about geographical areas

Madibeng Local Municipality

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58. Segment information (continued)

2022

Governance and administration segment

	Total segment revenue	Total segment expenditure	Total segment surplus/(deficit)	Total segment capital expenditure
Finance and administration	1 164 831 000	1 200 011 000	(35 180 000)	115 635 000

Community and public safety segment

	Total segment revenue	Total segment expenditure	Total segment surplus/(deficit)	Total segment capital expenditure
Community and social services	2 917 000	39 606 000	(36 689 000)	12 561 000
Sport and recreation	26 000	45 173 000	(45 147 000)	487 000
Public safety	9 000	91 903 000	(91 894 000)	30 000
Total	2 952 000	176 682 000	(173 730 000)	13 078 000

Economic and environmental services segment

	Total segment revenue	Total segment expenditure	Total segment surplus/(deficit)	Total segment capital expenditure
Planning and development	304 975 000	80 907 000	224 068 000	12 719 000
Road transport	12 435 000	81 842 000	(69 407 000)	120 459 000
Total	317 410 000	162 749 000	154 661 000	133 178 000

Trading services segment

	Total segment revenue	Total segment expenditure	Total segment surplus/(deficit)	Total segment capital expenditure
Energy sources	616 118 000	779 727 000	(163 609 000)	45 265 000
Water management	231 243 000	462 264 000	(231 021 000)	63 163 000
Waste water management	128 516 000	54 002 000	74 514 000	94 041 000
Waste management	70 131 000	77 892 000	(7 761 000)	15 126 000
Other	43 000	3 058 000	(3 015 000)	-
Total	1 046 051 000	1 376 943 000	(330 892 000)	217 595 000

59. Other receivables

Third party refunds	13 801 226	13 212 941
Salaries control account	19 734 335	14 570 942
	33 535 561	27 783 883

60. VAT receivable

VAT	-	15 890 489
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Madibeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
61. Impairment loss		
Impairments		
Property, plant and equipment	6 992 326	2 842 722
	6 992 326	2 842 722
	-	-

62. Budget differences

Material differences between budget and actual amounts

Management considers all differences of 10% or more on budget versus actual as significant. Explanations for variances are provided in instances where the variance are above 10%.

- 1) Service charges - Discounts were given to industrial customers in the year under review.
- 2) Rental of facilities and equipment - Decline due to crowd restrictions imposed as part of curbing the scourge of Covid
- 3) Income from agency services - Lifting of department of transport exemptions coupled with lifting of lockdown restrictions.
- 4) Licences and permits - Lifting of lockdown restrictions allowed more people to renew driver licences.
- 5) Other operational revenue - Relaxed credit control and debt collection methods in the current year, due to increased economic decline coupled with increased unemployment, and heavy reliance on grants.
- 6) Interest received on investment - Investment of additional conditional grants.
- 7) Property rates - Annual increment of tariffs and the implementation of new supplementary valuation roll on properties.
- 8) Government grants and subsidies - More grants were given in prior year to provide Covid relief, these grants were not received in the current year.
- 9) Fines, penalties and forfeits - Lifting of lockdown restrictions resulted in increased issuance of traffic fines.
- 10) Finance costs - Capped interest rate on PIC loan, and adherence to contractual arrangement for repayment of bulk services.
- 11) Bulk purchases - Inflationary increases and tempering of meters.
- 12) Contractual services - Appointment of new consultants.