



Madibeng Local Municipality
(Registration number NW372)
Annual financial statements
for the year ended 30 June 2024

Madibeng Local Municipality

(Registration number NW372)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and delivering general services to the community

Executive Mayor

Hon. DS Maimane

Mayoral committee

Cllr. AT Matlou (Budget & Treasury)
Cllr. EM Bopape (Corporate Support Services)
Cllr. WK Morare (Human Settlement & Planning)
Cllr. LG Mhlambi (Community Development)
Cllr. FJ Motepe (Public Safety & Facilities Management)
Cllr. DM Molekoa (Infrastructure & Technical Services)
Cllr. CK Montsho (IDP, PMS & Legal)
Cllr. M Masuku (Roads & Transport)
Cllr JM Modipane (Economic Development, Tourism and Agriculture)
Cllr IB Bhebe (Intergovernmental Relations and Special Projects)

Councillors

Cllr. MD Bodigelo
Cllr. JB Chiya
Cllr. G Clouston
Cllr. M Du Plessis
Cllr. CM Greenwood-Selby (Resigned 31 May 2024)
Cllr. EM Kgautle
Cllr. TB Khutoane
Cllr. JE Klopper
Cllr. S Komape
Cllr. SP Khungoane
Cllr. TA Kwela
Cllr. PP Legong
Cllr. EDF Lourens
Cllr. NS Mabunda
Cllr. A Magawana
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. D Mbezi
Cllr. TW Mhlanga
Cllr. OR Modibane
Cllr. BN Mogale
Cllr. S Mohale
Cllr. TJ Mohlabane

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Cllr. PT Mokau
Cllr. RM Mokoka
Cllr. G Mokonoto
Cllr. NF Mokwena
Cllr. MS Moloji
Cllr. S Monnakgotla
Cllr. RN Moraile (Resigned 04 June 2024)
Cllr. MD Morapedi
Cllr. WK Morare
Cllr. SS Moreki
Cllr. PL Motaung
Cllr. C Mphahlele
Cllr. WJ Muller
Cllr. KA Nthekiso
Cllr. LM Ntobong
Cllr. RP Padi
Cllr. LSG Phaloane
Cllr. J Pieterse
Cllr. P Pretorius
Cllr. NR Rakolle
Cllr. Ratele
Cllr. J Ratloi
Cllr. LA Ratlou
Cllr. RS Riba
Cllr. GJ Rossouw
Cllr. LP Sedio
Cllr. KR Sefike
Cllr. CS Sekhotho
Cllr. MT Selialia
Cllr. PM Sepuru
Cllr. MI Sethe
Cllr. A Sethole
Cllr. JM Sibanda
Cllr. LM Simango
Cllr. JD Smith
Cllr. PRD Songwane
Cllr. L Stoltz
Cllr. P Tsheola
Cllr. E Van Der Schyff
Cllr. JC Van Rhyn

Grading of local authority

Grade 06

Accounting Officer

Mr. NW Phala (Acting)

Chief Finance Officer (CFO)

Ms. M Moloto

Registered office

53 Van Velden Street
Brits
North West
0250

Madibeng Local Municipality

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General Information

Postal address

PO Box 106
Brits
North West
0250

Primary Banker

First National Bank

Auditors

Auditor General of South Africa

Attorneys

De Swart Myambo Hlahla Attorneys
JL Raphiri Attorneys Inc
KLM Maja Attorneys
Nobela Attorneys Inc
Mohulatsi Attorneys Inc
Tlou Attorneys
Rangwako Attorneys
MB Mabunda Inc
Kgomo Attorneys
Mpoyana Ledwaba Inc

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Abbreviations used:

DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated Electrification Programme
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
LSA	Long Service wards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSCOA	Municipal Standard Chart of Accounts
PEMA	Post Employment Medical Obligations
PIC	Public Investment Corporation
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
VAT	Value Added Tax
WSIG	Water Sanitation Infrastructure Grant

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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 office 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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. This assurance is further supported by the fact that all mSCOA versions and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that Madibeng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's senior management team, internal auditors, external auditors and oversight governance structures of Council.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read together with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with the Act.

The external auditors, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be presented for examination by the municipal internal auditors and external auditors.

The annual financial statements set out on pages 8 to 98, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 August 2024:



Mr. NW Phala
Acting Municipal Manager

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement on Internal Financial Controls

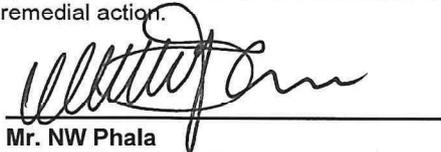
The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 8 to 98, fairly present in all material respects the financial position, financial performance and cash flows of the municipality in terms of GRAP;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(c) internal financial controls have been put in place to ensure that material information relating to the municipality has been provided to effectively prepare the annual financial statements of the municipality; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



Mr. NW Phala
Acting Municipal Manager

Friday, 30 August 2024



Ms. M Moloto
Chief Financial officer

Friday, 30 August 2024

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

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, 1998 and operates principally in South Africa.

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

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 45 for details.

3. Subsequent events

All material subsequent events are disclosed within the note 55 of the annual financial statements.

4. Accounting Officers' interest in contracts

The Accounting Officers' had no interest in contracts awarded by the municipality.

5. Accounting policies

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

6. Corporate governance

General

Council has a very strict attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of Performance and Audit Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board. However, the MPAC Committee was not fully functional during the year under review.

Internal audit

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

7. Primary Bankers

The primary bank account of the municipality as required by Section 8 of the MFMA is held with First National Bank

8. Auditors

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

The annual financial statements set out on pages 8 to 98, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed on its behalf by:



Mr. NW Phala
Acting Municipal Manager

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	52 092 359	35 123 611
Other financial assets	4	4 079 520	3 234 734
Receivables from non-exchange transactions	5	217 622 192	195 135 543
VAT receivable	6	87 760 068	61 054 035
Consumer debtors	7	445 711 309	406 515 747
Cash and cash equivalents	8	71 270 014	181 939 592
		878 535 462	883 003 262
Non-Current Assets			
Investment property	9	140 397 800	99 655 000
Property, plant and equipment	10	4 859 813 878	4 848 566 529
Intangible assets	11	361 617	2
Heritage assets	12	10 100	10 100
		5 000 583 395	4 948 231 631
Total Assets		5 879 118 857	5 831 234 893
Liabilities			
Current Liabilities			
Other financial liabilities	13	275 963 084	47 601 940
Payables from exchange transactions	14	1 376 445 557	1 404 030 336
Consumer deposits	15	27 187 688	24 852 862
Employee benefit obligation	16	8 180 893	9 981 000
Unspent conditional grants and receipts	17	414 908	1 506 061
		1 688 192 130	1 487 972 199
Non-Current Liabilities			
Other financial liabilities	13	413 449 781	277 677 984
Employee benefit obligation	16	179 815 839	163 537 011
Provisions	18	20 845 343	17 197 871
		614 110 963	458 412 866
Total Liabilities		2 302 303 093	1 946 385 065
Net Assets		3 576 815 764	3 884 849 828
Accumulated surplus		3 576 815 764	3 884 849 828
Total Net Assets		3 576 815 764	3 884 849 828

* See Note 52

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	888 026 138	867 323 786
Rental of facilities and equipment	20	2 195 669	1 940 326
Agency services	21	17 283 123	17 663 691
Licences and permits	22	7 246 342	6 685 518
Other income	23	24 923 290	27 463 001
Interest received from exchange transactions	24	70 338 875	56 239 747
Fair value adjustments		37 872 800	-
Actuarial gains		6 973 279	22 778 000
Gain on provision for land fill site		-	4 243 457
Interest received from investments	24	16 133 106	16 458 626
Total revenue from exchange transactions		1 070 992 622	1 020 796 152
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	361 611 386	413 887 127
Interest received from non-exchange transactions	26	46 070 147	32 168 513
Transfer revenue			
Government grants & subsidies	27	1 390 173 661	1 263 770 998
Fines, Penalties and Forfeits	28	2 910 125	6 366 447
Interest - municipal debt relief - debt waived	26	108 161 356	-
Total revenue from non-exchange transactions		1 908 926 675	1 716 193 085
Total revenue		2 979 919 297	2 736 989 237
Expenditure			
Employee related costs	29	(699 720 994)	(652 705 297)
Remuneration of councillors	30	(35 338 788)	(34 256 449)
Depreciation and amortisation	31	(325 669 373)	(316 525 417)
Impairment loss / (Reversal of impairment)	32	(1 047 750)	(25 054 444)
Finance costs	33	(135 700 590)	(79 460 398)
Debt Impairment	34	(291 488 312)	(226 421 580)
Bulk purchases	35	(979 234 212)	(864 611 162)
Contracted services	36	(241 292 516)	(160 808 308)
Transfers and Subsidies		(4 404 054)	(416 183)
Loss on disposal of assets and liabilities		(594 742)	-
Fair value adjustments	37	-	(830 000)
Loss on provision for land fill site		(1 395 374)	-
General Expenses	38	(572 066 656)	(502 323 697)
Total expenditure		3 287 953 361	2 863 412 935
Deficit for the year		(308 034 064)	(126 423 698)

* See Note 52

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	4 816 324 383	4 816 324 383
Changes in net assets		
Prior period error	(805 050 862)	(805 050 862)
Total changes	(805 050 862)	(805 050 862)
Surplus for the year	(126 423 697)	(126 423 697)
Total changes	(931 474 559)	(931 474 559)
Total changes	(931 474 559)	(931 474 559)
Restated* Balance at 01 July 2023	3 884 849 826	3 884 849 826
Changes in net assets		
Surplus for the year	(308 034 064)	(308 034 064)
Total changes	(308 034 064)	(308 034 064)
Balance at 30 June 2024	3 576 815 762	3 576 815 762
Note(s)		

The accounting policies on pages 17 to 46 and the notes on pages 47 to 98 form an integral part of the annual financial statements.

* See Note 52

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Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		898 662 669	1 910 917 250
Grants		1 389 082 508	1 190 362 789
Interest from exchange transactions		240 703 482	104 866 886
Other receipts		51 518 094	114 667 644
		<u>2 579 966 753</u>	<u>3 320 814 569</u>
Payments			
Employee costs		(735 059 782)	(686 961 747)
Suppliers		(1 842 208 766)	(2 231 275 623)
Finance costs		(135 700 590)	(79 460 398)
		<u>(2 712 969 138)</u>	<u>(2 997 697 768)</u>
Net cash flows from operating activities	39	<u>(133 002 385)</u>	<u>323 116 801</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(338 564 916)	(343 508 060)
Purchase of investment property	9	(2 870 000)	(930 000)
Purchase of other intangible assets	11	(365 217)	-
Net cash flows from investing activities		<u>(341 800 133)</u>	<u>(344 438 060)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		364 132 941	-
Net cash flows from financing activities		<u>364 132 941</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(110 669 578)</u>	<u>(21 321 259)</u>
Cash and cash equivalents at the beginning of the year		181 939 592	203 260 851
Cash and cash equivalents at the end of the year	8	<u>71 270 014</u>	<u>181 939 592</u>

The accounting policies on pages 17 to 46 and the notes on pages 47 to 98 form an integral part of the annual financial statements.

* See Note 52

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	952 201 583	12 000 000	964 201 583	888 026 138	(76 175 445)	N1
Rental of facilities and equipment	2 205 049	-	2 205 049	2 195 669	(9 380)	N1
Agency services	14 000 000	-	14 000 000	17 283 123	3 283 123	N2
Licences and permits	37 142	-	37 142	7 246 342	7 209 200	N2
Other income	7 785 436	832 582	8 618 018	24 923 290	16 305 272	N3
Interest received - outstanding debtors	67 109 184	-	67 109 184	70 338 875	3 229 691	N1
Interest received - investment	14 637 554	3 100 000	17 737 554	16 133 106	(1 604 448)	N1
Total revenue from exchange transactions	1 057 975 948	15 932 582	1 073 908 530	1 026 146 543	(47 761 987)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	403 584 605	(20 000 000)	383 584 605	361 611 386	(21 973 219)	N1
Licences and Permits (Non-exchange)	500 000	-	500 000	-	(500 000)	N4
Interest, Dividends and Rent on Land	10 000	-	10 000	-	(10 000)	N4
Interest from property rates	30 081 627	4 252 550	34 334 177	46 070 147	11 735 970	N4
Transfer revenue						
Government grants & subsidies	1 064 212 000	1 691 422	1 065 903 422	1 390 173 661	324 270 239	N1
Fines, Penalties and Forfeits	2 500	-	2 500	2 910 125	2 907 625	N4
Interest - Transfer revenue	-	-	-	108 161 356	108 161 356	
Total revenue from non-exchange transactions	1 498 390 732	(14 056 028)	1 484 334 704	1 908 926 675	424 591 971	
Total revenue	2 556 366 680	1 876 554	2 558 243 234	2 935 073 218	376 829 984	
Expenditure						
Employee related costs	(690 039 937)	-	(690 039 937)	(699 720 994)	(9 681 057)	N1
Remuneration of councillors	(37 450 151)	-	(37 450 151)	(35 338 788)	2 111 363	N1
Depreciation and amortisation	(350 000 000)	20 000 000	(330 000 000)	(325 669 373)	4 330 627	N1
Impairment loss/ Reversal of impairments	-	-	-	(1 047 750)	(1 047 750)	N5
Finance costs	(67 500 000)	(20 000 000)	(87 500 000)	(135 700 590)	(48 200 590)	N1
Debt Impairment	(220 000 000)	20 000 000	(200 000 000)	(291 488 312)	(91 488 312)	N1
Bulk purchases	(525 637 660)	(196 000 000)	(721 637 660)	(979 234 212)	(257 596 552)	N6
Contracted Services	(257 837 239)	(184 825 685)	(442 662 924)	(241 292 516)	201 370 408	N7
Transfers and Subsidies	(7 000 000)	-	(7 000 000)	(4 404 054)	2 595 946	N8
General Expenses	(202 070 976)	(112 103 453)	(314 174 429)	(572 066 656)	(257 892 227)	N9
Inventory consumed	(188 685 474)	-	(188 685 474)	-	188 685 474	N9
Total expenditure	2 546 221 437)	(472 929 138)	3 019 150 575)	3 285 963 245)	(266 812 670)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating deficit	10 145 243	(471 052 584)	(460 907 341)	(350 890 027)	110 017 314	
Loss on disposal of assets and liabilities	-	-	-	(594 742)	(594 742)	
Fair value adjustments	-	-	-	37 872 800	37 872 800	N5
Actuarial gains/losses	-	-	-	6 973 279	6 973 279	N5
Loss on provision for landfill site	-	-	-	(1 395 374)	(1 395 374)	N5
	-	-	-	42 855 963	42 855 963	
Deficit before taxation	10 145 243	(471 052 584)	(460 907 341)	(308 034 064)	152 873 277	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	10 145 243	(471 052 584)	(460 907 341)	(308 034 064)	152 873 277	

Material differences between budget and actual amount

Management considers all differences of 10% or more on budget versus actual as significant. In addition, management has applied the guidelines on the application of materiality to financial statements and determined internal materiality. No explanation is provided for all amounts below management's reporting materiality.

Reference (Tick Legends)

N1 - The variance is below 10% and no explanation for variances are provided as the difference is not considered material.

N2 - Slightly higher collection of licencing fees than anticipated, especially during the month of august 2023.

N3 - Other income exceeded the planned budget due to higher-than-expected revenue from various accounts, including library fees, other services, cemetery fees, and development charges. In addition, the other income components are split on the A Schedule but combined on the face of the annual financial statements.

N4 - The item is split between exchange and non-exchange revenue, whilst combined on the budget schedule approved by Council.

N5 - Year end accruals to account for GRAP requirements whilst budget prepared on cash basis.

N6 - Not adequately provided for due to increased rate and quantities required in the current year under reporting.

N7 - Other procurement awards are reported under general expenditure depending on the expenditure classification in terms of GRAP.

N8 - Over budget provision for indigent support provision. Indigent support programs and registers were not always updated, new indigents not adeed timeously on the register resulting in over budget provision for this expenditure.

N9 - Changes in operational requirements coupled with service delivery contracts for water tankering that do not have a net ceiling limit on contract values.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	56 110 181	(56 110 181)	-	52 092 359	52 092 359	Note 10
Other financial assets	12 800 000	-	12 800 000	4 079 520	(8 720 480)	Note 15
Receivables from non-exchange transactions	80 156 584	(80 156 584)	-	217 622 192	217 622 192	Note 10
VAT receivable	-	-	-	87 760 068	87 760 068	Note 10
Consumer debtors	556 288 023	(26 407 836)	529 880 187	445 711 309	(84 168 878)	Note 11
Cash and cash equivalents	(151 618 988)	(738 903 323)	(890 522 311)	71 270 014	961 792 325	Note 12
	553 735 800	(901 577 924)	(347 842 124)	878 535 462	1 226 377 586	
Non-Current Assets						
Investment property	85 000 000	-	85 000 000	140 397 800	55 397 800	Note 13
Property, plant and equipment	5 428 821 550	(13 793 707)	5 415 027 843	4 859 813 878	(555 213 965)	Note 14
Intangible assets	-	-	-	361 617	361 617	Note 1
Heritage assets	10 000	-	10 000	10 100	100	Note 1
	5 513 831 550	(13 793 707)	5 500 037 843	5 000 583 395	(499 454 448)	
Total Assets	6 067 567 350	(915 371 631)	5 152 195 719	5 879 118 857	726 923 138	
Liabilities						
Current Liabilities						
Other financial liabilities	325 280 000	-	325 280 000	275 963 084	(49 316 916)	Note 16
Payables from exchange transactions	729 530 711	(746 275 360)	(16 744 649)	1 376 445 557	1 393 190 206	Note 17
Trade and other payables (non-exchange)	373 686 000	(28 291 785)	345 394 215	-	(345 394 215)	Note 17
Consumer deposits	-	-	-	27 187 688	27 187 688	Note 10
Employee benefit obligation	-	-	-	8 180 893	8 180 893	Note 10
Unspent conditional grants and receipts	-	-	-	414 908	414 908	Note 10
	1 428 496 711	(774 567 145)	653 929 566	1 688 192 130	1 034 262 564	
Non-Current Liabilities						
Other financial liabilities	-	-	-	413 449 781	413 449 781	Note 16
Employee benefit obligation	-	-	-	179 815 839	179 815 839	Note 10
Provisions	200 800 000	-	200 800 000	20 845 343	(179 954 657)	Note 17
	200 800 000	-	200 800 000	614 110 963	413 310 963	
Total Liabilities	1 629 296 711	(774 567 145)	854 729 566	2 302 303 093	1 447 573 527	
Net Assets	4 438 270 639	(140 804 486)	4 297 466 153	3 576 815 764	(720 650 389)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 438 270 639	(140 804 486)	4 297 466 153	3 573 016 198	(724 449 955)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Material differences between budget and actual amount

Management considers all differences of 10% or more on budget versus actual as significant. In addition, management has applied the guidelines on the application of materiality to financial statements and determined internal materiality. No explanation is provided for all amounts below management's reporting materiality.

Reference (Tick Legends).

N10 - The municipal budget is primarily driven by revenue and expenses. Budget amounts for these items were omitted in the financial position, and only the movements in the income statement were primarily budgeted for.

N11 - Difference emanates from year end impairment provision largely driven by decreased collection of debts.

N12 - The effect of cash outflows in the income statement were aggregated on cash and cash equivalents without taking into account all other cash movements.

N13 - Accounting for year end growth resulting from fair value adjustment of investment properties.

N14 - Not all planned infrastructure projects were completed at year end.

N15 - The municipality made less investments than anticipated.

N16 - The municipality received approval for participation in Eskom Debt Relief and the amount of Eskom liabilities were reclassified to other financial liabilities. In addition, the municipality made arrangement for the repayment of PIC loan.

N17 - The amounts in the budget were not adequately prepared and presented for provisions and payable from exchange transactions.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	302 688 000	(15 000 000)	287 688 000	-	(287 688 000)
Service charges	687 743 000	17 408 000	705 151 000	1 251 833 192	546 682 192
Transfers and Subsidies - Operational	1 056 212 000	-	1 056 212 000	1 389 082 508	332 870 508
Transfers and Subsidies - Capital	369 808 000	(28 292 000)	341 516 000	-	(341 516 000)
Interest income	14 638 000	-	14 638 000	240 703 482	226 065 482
Other receipts	18 787 000	9 000 000	27 787 000	51 518 094	23 731 094
	2 449 876 000	(16 884 000)	2 432 992 000	2 933 137 276	500 145 276

Payments

Suppliers and Employee costs	(2 240 007 000)	(746 275 000)	(2 986 282 000)	3 066 139 661	(79 857 661)
Net cash flows from operating activities	209 869 000	(763 159 000)	(553 290 000)	(133 002 385)	420 287 615

Cash flows from investing activities

Purchase of property, plant and equipment	(361 808 000)	7 937 000	(353 871 000)	(338 564 916)	15 306 084
Proceeds from sale of financial assets	12 800 000	-	12 800 000	(3 235 218)	(16 035 218)
Net cash flows from investing activities	(349 008 000)	7 937 000	(341 071 000)	(341 800 134)	(729 134)

Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	364 132 941	364 132 941
Net increase/(decrease) in cash and cash equivalents	(139 139 000)	(755 222 000)	(894 361 000)	(110 669 578)	419 558 481
Cash and cash equivalents at the beginning of the year	3 839 000	-	3 839 000	181 939 592	178 100 592
Cash and cash equivalents at the end of the year	(135 300 000)	(755 222 000)	(890 522 000)	71 270 014	597 659 073

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 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.

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

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

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. Where a different interest rate is used, the rate used is stated in the specific Note.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Madibeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Investment property

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

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

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

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

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

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

Fair value

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

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

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

If the 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.

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Investment property (continued)

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.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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Significant Accounting Policies

1.7 Property, plant and equipment (continued)

Computer equipment	Straight-line	3 - 12 years
Bins and containers infrastructure	Straight-line	7 - 15 years
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		
Sports fields	Straight-line	7 - 15 years

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

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

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

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

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

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

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.

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

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

1.8 Site restoration and dismantling cost

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

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Significant Accounting Policies

1.8 Site restoration and dismantling cost (continued)

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.

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Intangible assets are derecognised:

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

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.10 Heritage assets

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

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

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

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

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

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 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

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.11 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
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

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

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.

Subsequent measurement of financial assets and financial liabilities

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

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1.11 Financial instruments (continued)

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

1.12 Statutory receivables

Identification

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

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

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

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

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1.12 Statutory receivables (continued)

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

Impairment losses

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
 - the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- or

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1.12 Statutory receivables (continued)

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

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

1.13 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.

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.

1.14 Inventories

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

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

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

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

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

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

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

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

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1.14 Inventories (continued)

The cost of consumable inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality. However management accounts for water inventory using Weighted Average Cost method of valuation.

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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.

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1.16 Impairment of cash-generating assets (continued)

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.

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and

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1.16 Impairment of cash-generating assets (continued)

- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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.

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1.16 Impairment of cash-generating assets (continued)

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

Reversal of impairment loss

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

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

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

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.

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of 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, rather than the accounting policy on Impairment of Non-cash-generating assets.

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

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

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.

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

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

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.

1.18 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 entity 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 municipality provides post-employment benefits for one or more employees.

Post-employment benefits: Defined benefit plans

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1.18 Employee benefits (continued)

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together

with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive

obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

lower of:

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

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

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1.18 Employee benefits (continued)

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.

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

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

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

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

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

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

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

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

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1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

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

The entitlement to long service award benefits is based on the employee remaining in service for a specified 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. Additional text

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1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represents possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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

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Significant Accounting Policies

1.19 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 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.20 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.

1.21 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.

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1.21 Revenue from exchange transactions (continued)

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).

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, royalties and dividends

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

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

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

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1.21 Revenue from exchange transactions (continued)

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

1.22 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.

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

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

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 income tax is the earning of assessable income during the taxation period by the taxpayer.

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Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.23 Investment income

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

1.24 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).

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Significant Accounting Policies

1.24 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 it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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).

1.29 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.

1.30 Budget information

Municipality is 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

1.31 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.

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Significant Accounting Policies

1.31 Related parties (continued)

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

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

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

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

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

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

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

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

1.33 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of value-added tax recoverable from, or payable to SARS is included as part of receivables or payables in the Statement of Financial Position.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Not material
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Not material
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Not material

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not material

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Not yet determined	Unlikely there will be a material impact

3. Inventories

Consumable stores	51 319 099	34 469 358
Water for distribution	762 942	643 935
Unsold Properties Held for Resale	10 318	10 318
	52 092 359	35 123 611

Inventory pledged as security

None of the inventory was pledged as security.

Water for distribution

Opening balance	643 935	605 929
Authorised consumption	119 007	38 006
Closing balance	762 942	643 935

4. Other financial assets

Designated at fair value

Madibeng Local Municipality

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4. Other financial assets (continued)		
Listed shares-Sanlam Limited; Old Mutual Limited; Quilter PLC; Nedbank Group Limited	1 758 700	1 552 438
Other investments - Old Mutual Limited	2 320 820	1 682 296
	4 079 520	3 234 734
Current assets		
Designated at fair value	4 079 520	3 234 734
Financial assets pledged as collateral		
None of the financial assets were pledged as security.		
5. Receivables from non-exchange transactions		
Fines	31 348 334	28 437 912
Rates	872 804 255	799 871 925
Impairment for fines	(1 525 954)	(1 047 873)
Sundry debtors	7 215 299	-
Allowance for impairment	(692 219 742)	(632 126 421)
	217 622 192	195 135 543
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Taxes	192 154 432	180 859 576
Fines	29 822 380	27 390 039
	221 976 812	208 249 615
Financial asset receivables included in receivables from non-exchange transactions above	7 215 299	-
Total receivables from non-exchange transactions	217 622 192	195 135 543
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.		
Receivables from non-exchange transactions pledged as security		
None of the receivables from non-exchange transactions were pledged as security.		

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6. VAT receivable		
VAT Control	<u>87 760 068</u>	<u>61 054 035</u>
7. Consumer debtors		
Gross balances		
Services	<u>2 627 235 525</u>	<u>2 370 063 976</u>
Less: Allowance for impairment		
Services	<u>(2 181 524 216)</u>	<u>(1 963 548 229)</u>
Net balance		
Services	<u>445 711 309</u>	<u>406 515 747</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 963 548 229)	(1 631 582 630)
Contributions to allowance	(217 975 987)	(357 459 190)
Debt impairment written off against allowance	-	25 493 591
	<u>(2 181 524 216)</u>	<u>(1 963 548 229)</u>
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	20 338 692	57 767 065
Short-term deposits	<u>50 931 322</u>	<u>124 172 527</u>
	<u>71 270 014</u>	<u>181 939 592</u>

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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Cheque account - 640000376	4 850 528	3 294 295	6 890 520	4 850 528	3 294 295	6 890 520
FNB Cheque account - Primary account 62547261602	13 638 682	33 262 523	19 960 948	14 272 342	33 262 523	19 966 826
FNB Cheque account - Licensing 62547263103	1 215 523	21 209 949	15 618 474	1 215 822	21 210 249	15 618 473
Investec account - 1400189013500	1 422 913	1 312 483	1 228 716	1 422 913	1 312 483	1 228 716
FNB EQS Call account - 62564475210	5 148 573	6 629 072	2 274 806	5 148 573	6 629 072	2 274 806
FNB EPWP Call account - 62564478016	7 967	7 373	6 927	7 967	7 373	6 927
FNB MIG Call account - 62576598323	28 693 139	84 946 070	119 201 408	28 693 139	84 946 070	119 201 408
FNB MIG Retention call account - 62564479585	15 270 455	27 360 334	25 703 417	15 270 455	27 360 334	25 703 417
FNB INEP call account - 62559313003	92 568	1 328 104	9 246 619	92 568	1 328 104	9 246 619
FNB FMG 62550510153	295 706	2 589 090	2 432 297	295 706	2 589 090	2 432 297
Total	70 636 054	181 939 293	202 564 132	71 270 013	181 939 593	202 570 009

The municipality operated the following bank accounts during the year under review which all had zero balances at year end:-

FNB Business and Commercial - Account Number 62547269672

Nedbank Limited - Account Number 37881098570

Standard Bank - Account Number 48489409

FNB Cheque account - Consumer services 62547274423

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9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	140 397 800	-	140 397 800	99 655 000	-	99 655 000

Reconciliation of investment property - 2024

Investment property	Opening balance 99 655 000	Additions 2 870 000	Fair value adjustments 37 872 800	Total 140 397 800
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Reconciliation of investment property - 2023

Investment property	Opening balance 99 555 000	Additions 930 000	Fair value adjustments (830 000)	Total 99 655 000
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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.

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10. Property, plant and equipment

	2024			2023		
	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	155 562 431	(67 802 616)	87 759 815	155 562 431	(60 511 663)	95 050 768
Infrastructure	8 453 512 778	5 490 609 879	2 962 902 899	8 292 328 949	5 247 888 440	3 044 440 509
Community	217 391 222	(84 231 968)	133 159 254	212 344 431	(73 353 510)	138 990 921
Work in progress	612 616 994	-	612 616 994	509 121 786	-	509 121 786
Other property plant and equipment	239 353 274	(123 974 016)	115 379 258	214 017 662	(101 050 775)	112 966 887
Total	10 626 432 357	(5 766 618 479)	4 859 813 878	10 331 370 917	(5 482 804 388)	4 848 566 529

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Other movement	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	947 995 658	-	-	-	-	-	947 995 658
Buildings	95 050 768	-	-	-	(7 136 341)	(154 612)	87 759 815
Infrastructure	3 044 440 509	1 683 200	(594 741)	202 758 952	(285 385 021)	-	2 962 902 899
Community	138 990 921	-	-	5 046 791	(10 878 458)	-	133 159 254
Work in progress	509 121 786	311 300 951	-	(207 805 743)	-	-	612 616 994
Other property plant and equipment	112 966 887	25 580 765	-	-	(22 265 951)	(902 443)	115 379 258
	4 848 566 529	338 564 916	(594 741)	-	(325 665 771)	(1 057 055)	4 859 813 878

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Depreciation	Impairment loss	Total
Land	947 995 658	-	-	-	-	947 995 658
Buildings	102 172 413	-	-	(7 121 645)	-	95 050 768
Infrastructure	3 230 941 518	-	87 997 960	(274 498 969)	-	3 044 440 509
Community	153 199 278	-	-	(14 208 357)	-	138 990 921
Work in progress	320 902 473	299 960 476	(87 997 960)	-	(23 743 203)	509 121 786
Other property plant and equipment	91 426 990	43 547 584	-	(20 696 446)	(1 311 241)	112 966 887
	4 846 638 330	343 508 060	-	(316 525 417)	(25 054 444)	4 848 566 529

Pledged as security

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

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

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

Buildings	12 783 483	5 079 149
Infrastructure	535 236 812	457 832 093
Community	64 596 699	46 210 544
	612 616 994	509 121 786

Reconciliation of Work-in-Progress 2024

	Buildings	Infrastructure	Community	Total
Opening balance	5 079 149	457 832 093	46 210 544	509 121 786
Additions/capital expenditure	7 704 334	280 163 671	23 432 946	311 300 951
Transferred to completed projects	-	(202 758 952)	(5 046 791)	(207 805 743)
	12 783 483	535 236 812	64 596 699	612 616 994

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Buildings	Infrastructure	Community	Total
Opening balance	975 261	284 874 966	31 526 300	317 376 527
Additions/capital expenditure	4 103 888	251 951 676	36 338 462	292 394 026
Other movements - Impairment	-	(2 088 985)	(21 654 218)	(23 743 203)
Transferred to completed projects	-	(76 905 564)	-	(76 905 564)
	<u>5 079 149</u>	<u>457 832 093</u>	<u>46 210 544</u>	<u>509 121 786</u>

Expenditure incurred to repair and maintain property, plant and equipment

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

Repairs and maintenance			<u>193 380 571</u>	<u>143 082 586</u>
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 253 373	(4 891 756)	361 617	4 888 156	(4 888 154)	2

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2	365 217	(3 602)	361 617

Reconciliation of intangible assets - 2023

	Opening balance	Total
Computer software	2	2

Pledged as security

None of the intangible assets were pledged as security.

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12. Heritage assets

	2024			2023		
	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 2024

Art Collections, antiquities and exhibits	Opening balance 10 100	Total 10 100
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Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits	Opening balance 10 100	Total 10 100
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Pledged as security

None of the heritage assets were pledged as security.

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13. Other financial liabilities		
At amortised cost		
Municipal debt relief - Eskom	411 734 881	-
Municipal debt relief provided in terms of the Municipal debt relief regulations read together with MFMA Circular No. 124		
Public Investment Corporation	277 677 984	325 279 924
Interest is charged at 10% which has been capped to the capital amount of R162 639 962.		
	<u>689 412 865</u>	<u>325 279 924</u>
Total other financial liabilities	<u>689 412 865</u>	<u>325 279 924</u>
Non-current liabilities		
At amortised cost	413 449 781	277 677 984
Current liabilities		
At amortised cost	275 963 084	47 601 940
Defaults and breaches		
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 the Constitutional Court.		
A payment arrangement was concluded with PIC, and the split of the liability represents the arrangement approved by Council.		
The Minister of Finance, in the 2023 Budget Speech announced conditional debt relief for all municipalities that owes Eskom on 31 March 2023 (including interest and penalties). Any municipality that owes Eskom arrears, interest or penalties on 31 March 2023 qualify for this relief subject to Council's successful written application to the National Treasury.		
The municipal debt relief application for the municipality was approved, and as a result, the municipality now recognises municipal debt relief liability.		
14. Payables from exchange transactions		
Trade payables	1 032 296 769	1 099 039 974
Payments received in advanced	166 856 538	136 876 887
Retentions	93 842 134	78 814 107
Unallocated Deposits received	11 638 052	1 816 620
Other creditors	525 985	1 528 701
Bonus accrual	14 485 964	13 864 597
Leave accrual	51 458 419	48 738 731
Third-party refunds	576 909	1 409 779
Other creditors - NW Department of Transport	4 764 787	21 940 940
	<u>1 376 445 557</u>	<u>1 404 030 336</u>
15. Consumer deposits		
Rates	27 187 688	24 852 862

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Annual Financial Statements for the year ended 30 June 2024

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16. Employee benefit obligations

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

Carrying value

Post medical aid retirement plan	(150 751 084)	(139 828 011)
Long term service award	(37 245 648)	(33 690 000)
	(187 996 732)	(173 518 011)
Non-current liabilities	(179 815 839)	(163 537 011)
Current liabilities	(8 180 893)	(9 981 000)
	(187 996 732)	(173 518 011)

The municipality post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Madibeng local municipality is committed to paying subsidies as follows:-

All current active employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 60% subsidy.

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

Opening balance	139 828 000	142 651 000
Service cost	6 190 000	7 375 000
Interest cost	18 135 000	17 040 000
Benefits paid	(4 933 000)	(4 460 000)
Actuarial (gain) losses	(8 468 927)	(22 778 000)
	150 751 073	139 828 000

Net expense recognised in the statement of financial performance are as follows:-

Current service cost	6 190 000	7 375 000
Net interest on the defined benefit liability (asset)	18 135 000	17 040 000
Actuarial gains and losses (arising from changes in financial assumptions)	(8 468 927)	(22 778 000)
Benefits paid	(4 933 000)	(4 460 000)
	10 923 073	(2 823 000)

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16. Employee benefit obligations (continued)

Key assumptions used

In estimating the liability for long service leave benefits and post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

Assumptions used at the reporting date:

Discount rate	10,28 %	13,46 %
CPI	4,77 %	7,48 %
Salary increase rate	5,77 %	8,48 %
Net discount rate	4,26 %	4,59 %

The basis used to determine the overall expected provision is as follows:

Net Discount Rate

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 10.19 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.25% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.11% per annum, implying an underlying expectation of inflation of 6.32% per annum.

Normal Retirement Age

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

Mortality Rates

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

Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children

	2024	2023	2022	2021	2020
Post Employment Medical Aid Obligation	150 751 073	139 828 000	142 651 000	124 216 000	159 745 772
Long Service Awards	37 245 648	33 690 000	32 702 000	30 546 000	23 993 239
	187 996 721	173 518 000	175 353 000	154 762 000	183 739 011

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16. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

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

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	10 180 640	7 016 148
Effect on interest cost	21 146 339	15 787 667
Effect on defined benefit obligation	174 798 006	131 047 744
2023	One percentage point increase	One percentage point decrease
Effect on the service cost	7 083 000	5 262 000
Effect on interest cost	19 988 000	16 190 000
Effect on defined benefit obligation	153 738 000	125 221 000

The valuation basis assumes that the health care cost inflation rate and inflation on the maximum subsidy (which manifests themselves as annual increases to the total contribution subsidised by the municipality) will be less than the corresponding discount rate, in the long term.

Discount rate

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

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	7 141 749	10 026 107
Effect on interest cost	17 217 184	19 300 195
Effect on defined benefit obligation	132 123 089	173 717 108

Net expense recognised in the statement of financial performance are as follows:-

Current service cost	6 190 000	7 375 000
Net interest on the defined benefit liability (asset)	18 135 000	17 040 000
Actuarial gains and losses (arising from changes in financial assumptions)	(8 468 927)	(22 778 000)
Benefits paid	(4 933 000)	(4 460 000)
	<u>10 923 073</u>	<u>(2 823 000)</u>

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17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Financial Management Grant	-	530 233
Municipal Infrastructure Grant	-	892 547
Water Service Infrastructure Grant	414 908	-
Library grant	-	83 281
	414 908	1 506 061
Movement during the year		
Balance at the beginning of the year	1 506 061	74 895 055
Additions during the year	338 296 507	249 031 790
Income recognition during the year	(337 964 880)	(322 420 784)
Repayment of unspent grant	(1 422 781)	-
	414 907	1 506 061

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 28 for reconciliation of grants from National/Provincial Government.

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

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18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Adjustment for interest	Change in discount factor	Total
Provision for restoration of landfill site	17 197 871	1 964 272	1 683 200	20 845 343

Reconciliation of provisions - 2023

	Opening Balance	Adjustment for interest	Change in discount factor	Total
Provision for restoration of landfill site	19 384 883	2 056 445	(4 243 457)	17 197 871

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18. Provisions (continued)

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 Hartbeesfontein landfill situated on portion 37 (a portion of portion 3) of the farm Hartbeesfontein 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(ESS). 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 is a member of the Institute of Directors South Africa (IoDSA).

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM is based on the minimum requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19.

Key assumptions used

Unit costs

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

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 5.1704%.

Discount rate

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

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.5% above CPI.

The current expected remaining life of the landfill is estimated at 15 years. This is based on an assessment by an expert

The current expected remaining life of the landfill is not one year less than last year because a new specialist study was done, during June 2024, to determine the expected remaining life of the landfill.

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19. Service charges		
Sale of electricity	670 008 643	587 680 663
Sale of water	114 848 255	166 141 313
Sewerage and sanitation charges	37 672 564	52 420 165
Refuse removal	65 496 676	61 081 645
	888 026 138	867 323 786
Service Charges Billed on Estimates		
Service charges	42 313 988	44 136 174
<p>Section 64 of the MFMA requires that the accounting officer of the municipality must take reasonable steps to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality's credit and debtors collection policy. The Act further requires that the municipality maintains a system of internal control in respect of both revenue and debtors.</p> <p>The municipality did not always have adequate systems of internal control relating to revenue and debtors in that some accounts were billed using estimates due to a number of reasons, such as faulty or broken meters and refusal of access to premises to take actual meter readings.</p> <p>The amounts above represent the total revenue billed on estimates 2024 (R42 313 988) and 2023 (R44 136 174).</p>		
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of equipment	2 195 669	1 940 326
21. Agency services		
Vehicle Registration	17 283 123	17 663 691
22. Licences and permits		
Road and Transport	7 246 342	6 685 518
23. Other income		
Cemetery fees	1 310 852	1 268 885
Town planning	1 945 770	2 149 949
Reconnection fees	2 768 746	3 635 974
Service connections	538 855	479 477
Other services	1 178 367	1 102 292
Tender document fees	685 656	1 588 770
Valuation fees	3 100 681	4 310 918
Library fees	9 868 358	3 772 668
Development charges	978 531	172 720
Advertising	36 847	43 947
Sale of nursery plants	1 126	959
Notice fees	2 506 579	8 935 451
Administrative handling fees	2 922	991
	24 923 290	27 463 001

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Figures in Rand	2024	2023
24. Interest revenue		
Interest received from investments		
Interest from call account	16 133 106	16 458 626
Interest received on debtors		
Interest charged on trade and other receivables	70 338 875	56 239 747
	86 471 981	72 698 373
25. Property rates		
Rates received		
Residential	192 537 342	185 676 143
Commercial	72 667 512	58 841 925
State	42 211 762	116 979 761
Small holdings and farms	54 194 770	52 389 298
	361 611 386	413 887 127
Valuations		
Residential	27 378 700 000	27 378 700 000
Commercial	7 573 725 000	8 141 553 000
State	817 036 000	817 036 000
Municipal	405 499 000	405 499 000
Small holdings and farms	12 788 787 000	12 220 979 000
	48 963 747 000	48 963 767 000
<p>The valuation roll takes effect from the start of the financial year following completion of public inspection and remains valid for a period not exceeding four financial years. The current effective valuation roll was certified by Graham Mulligam, a registered Professional Valuer with the South African Council for the Property Valuers (PRN-3841) on the 29 March 2019, and came into effect on 01 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p>		
26. Interest received from non-exchange transactions		
Interest from non-exchange transactions	46 070 147	32 168 513
Municipal debt relief- interest debt waived	108 161 356	-
	154 231 503	32 168 513

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Figures in Rand	2024	2023
27. Government grants & subsidies		
Operating grants		
Equitable share	1 052 208 781	941 436 527
Financial Management Grant	2 900 000	2 369 767
	1 055 108 781	943 806 294
Capital grants		
Expanded Public Works Programme (EPWP)	831 000	1 094 000
Municipal Infrastructure Grant	316 941 000	276 711 784
NAT: Water and Sanitation Grant	8 509 599	20 320 897
Library Grant	1 283 281	1 318 808
Integrated National Electrification Programme	7 500 000	20 519 215
	335 064 880	319 964 704
	1 390 173 661	1 263 770 998
Financial Management Grant		
Balance unspent at beginning of year	530 233	-
Current-year receipts	2 900 000	2 900 000
Conditions met - transferred to revenue	(2 900 000)	(2 369 767)
Repayments of unspent	(530 233)	-
	-	530 233
Conditions still to be met - remain liabilities (see note 17).		
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.		
Expanded Public Works Programme		
Current-year receipts	831 000	1 094 000
Conditions met - transferred to revenue	(831 000)	(1 094 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
This grant is intended for incentives to municipalities to expand efforts for work creation.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	892 547	73 604 332
Current-year receipts	316 941 000	204 000 000
Conditions met - transferred to revenue	(316 941 000)	(276 711 785)
Repayment of unspent	(892 547)	-
	-	892 547
Conditions still to be met - remain liabilities (see note 17).		
The grant is intended to assist the municipality with infrastructure spend in order to promote service delivery.		
NAT: Water and Sanitation Grant		
Balance unspent at beginning of year	-	932 107
Current-year receipts	8 924 506	19 388 791
Conditions met - transferred to revenue	(7 317 497)	(20 320 898)

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Figures in Rand	2024	2023
27. Government grants & subsidies (continued)		
Recovered funds (from previously overspent)	(1 192 101)	-
	414 908	-
Conditions still to be met - remain liabilities (see note 17).		
The grant is intended to help the municipality with water services.		
Library grant		
Balance unspent at beginning of year	83 281	253 089
Current-year receipts	1 200 000	1 149 000
Conditions met - transferred to revenue	(1 283 281)	(1 318 808)
	-	83 281
Conditions still to be met - remain liabilities (see note 17).		
The grant is intended to assist in the operations of libraries within the municipality.		
Integrated National Electrification Programme		
Current-year receipts	7 500 000	20 500 000
Conditions met - transferred to revenue	(7 500 000)	(20 500 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
The grant is intended to assist the municipality with infrastructure spend in order to promote service delivery		
28. Fines, Penalties and Forfeits		
Law Enforcement Fines	2 910 125	6 366 447

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Figures in Rand	2024	2023
29. Employee related costs		
Basic	389 758 752	368 804 756
Bonus	32 133 500	30 208 510
Medical aid - company contributions	48 866 292	47 432 073
UIF	2 827 132	2 850 283
Leave pay provision charge	21 371 996	17 925 739
Provident and pension fund	79 230 064	77 170 947
Travel allowance	40 733 441	39 182 465
Overtime payments	63 047 798	50 519 557
Acting allowances	5 593 147	4 692 432
Telephone / Cellphone allowance	428 759	378 968
Housing benefits and allowances	3 636 828	3 400 736
Industrial council	5 662 361	5 203 122
Standby allowance	6 430 924	4 935 709
	699 720 994	652 705 297

Remuneration of Municipal Manager - S Maroga

Mr S Maroga was appointed as Acting Municipal Manager from 01 May 2023 to 30 June 2023. No remuneration and/or allowance was paid by the municipality.

Remuneration of Municipal Manager - J Mashigo

Acting allowance, travel allowance, subsistence and other allowances	92 178	49 461
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Mr JK Mashigo was appointed as Acting Municipal Manager from 10 August 2023 to 30 November 2023

Remuneration of Municipal Manager - M Oagile

Acting allowance, travel allowance, subsistence and other allowances	175 526	-
Contributions	708	-
	176 234	-

Mr M Oagile was appointed as Acting Municipal Manager from 01 December 2023 to 25 March 2024.

Remuneration of Municipal Manager - M Moloto

Acting allowance, travel allowance, subsistence and other allowances	71 767	-
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Ms M Moloto was appointed as Acting Municipal Manager from 26 March 2024 to 30 June 2024.

Remuneration of Chief Financial Officer - B Sathekge

Acting allowance, travel allowance, subsistence and other allowances	-	60 519
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Ms B Sathekge was appointed as Acting Chief Financial Officer from 21 November 2022 until 20 February 2023.

Remuneration of Chief Financial Officer - Mr S Rikhotso

Acting allowance, travel allowance, subsistence and other allowances	101 164	121 884
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Mr S Rikhotso was appointed as Acting Chief Financial Officer from 01 July 2023 to 31 January 2024.

Remuneration of Chief Financial Officer - S Madlala

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Figures in Rand

	2024	2023
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29. Employee related costs (continued)

Acting allowance, travel allowance, subsistence and other allowances	79 873	-
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Mr S Madlala was appointed as Acting Chief Financial Officer from 12 February 2024 to 29 February 2024. He was again appointed as Acting Chief Financial Officer from 27 March 2024 to 27 June 2024.

Remuneration of Chief Financial Officer - M Moloto

Annual Remuneration	421 120	-
Travel allowance	72 000	-
Cellphone allowance	4 000	-
Other	6 657	-
	<u>503 777</u>	<u>-</u>

Ms M Moloto was appointed as Chief Financial Officer from the 1st March 2024.

Remuneration of Director Community Services - Ms M Mmope

Annual Remuneration	-	414 273
Acting allowance, travel allowance, subsistence and other allowances	-	65 011
Performance bonus	-	25 402
Contributions to UIF, Medical and Pension Funds	-	103 678
Leave pay	-	223 481
	<u>-</u>	<u>831 845</u>

Ms M Mmope was appointed as Director of Community Services and resigned on 30 November 2022.

Remuneration of Director Community Services - Dr L Motlhoki

Acting allowance, travel allowance, subsistence and other allowances	9 079	134 215
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Dr L Motlhoki was appointed as Acting Director of Community Services from 21 November 2022 to 21 August 2023.

Remuneration of Director Community Services - W Mathonsi

Acting allowance, travel allowance, subsistence and other allowances	73 279	-
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Mr W Mathonsi was appointed as Acting Director of Community Services from 22 August 2023 to 31 January 2024.

Remuneration of Director Community Services - N Kole-Rampete

Annual remuneration	402 709	-
Car Allowance	93 333	-
Cellphone allowance	10 681	-
Contributions	5 608	-
Other	9 190	-
	<u>521 521</u>	<u>-</u>

Mr N Kole-Rampete was appointed as Director of Community Services from the 19th February 2024.

Remuneration of Director Corporate Support Services - Adv NE Mmbengwa

Acting allowance, travel allowance, subsistence and other allowances	22 697	188 301
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Adv NE Mmbengwa was appointed as Acting Director Corporate Support Services from 01 July 2023 to 21 August 2023.

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	2024	2023
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29. Employee related costs (continued)

Remuneration of Director Corporate Support Services - D Masemola

Acting allowance, travel allowance, subsistence and other allowances	73 112	-
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Mr D Masemola was appointed as Acting Director Corporate Support Services from 23 August 2023 to 18 February 2024.

Remuneration of Director Corporate Support Services - DM Masemola

Annual remuneration	466 400	-
Car Allowance	140 000	-
Cellphone allowance	5 000	-
Contributions	6 705	-
Other	8 557	-
	<u>626 662</u>	<u>-</u>

Mr DM Masemola was appointed as Director Corporate Support Services from the 19th February 2024.

Remuneration of Director Public Safety - Mr B Mmutle

Acting allowance, travel allowance, subsistence and other allowances	22 697	125 559
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Mr B Mmutle was appointed as Acting Director Public Safety from 01 July 2023 to 21 August 2023.

Remuneration of Director Public Safety - Mr M Khoza

Acting allowance, travel allowance, subsistence and other allowances	73 279	-
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Mr M Khoza was appointed as Acting Director Public Safety from 23 August 2023 to 18 February 2024.

Remuneration of Director Public Safety - Mr M Khoza

Annual remuneration	385 065	-
Car Allowance	140 000	-
Cellphone allowance	5 000	-
Contributions	5 492	-
Other	8 557	-
	<u>544 114</u>	<u>-</u>

Mr M Khoza was appointed as Director Public Safety from the 19th February 2024.

Remuneration of Director Local Economic Development - T Sambo

Acting allowance, travel allowance, subsistence and other allowances	-	90 915
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Mr T Sambo was appointed as Acting Director Local Economic Development from 01 July 2022 to 20 November 2022.

Remuneration of Director Local Economic Development - MJ Motswatswe

Acting allowance, travel allowance, subsistence and other allowances	151 361	152 528
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Ms MJ Motswatswe was appointed as Acting Director Local Economic Development from 01 July 2023 to 18 February 2024.

Remuneration of Director Local Economic Development - S Monyaki

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29. Employee related costs (continued)		
Annual remuneration	402 485	-
Car Allowance	132 743	-
Cellphone allowance	4 667	-
Contributions	5 851	-
Other	11 699	-
	<u>557 445</u>	<u>-</u>
<p>Ms S Monyaki was appointed as Director Local Economic Development from the 19th February 2024.</p>		
Remuneration of Director Human Settlement and Planning - Mr DN Pule		
Acting allowance, travel allowance, subsistence and other allowances	<u>95 977</u>	<u>186 860</u>
<p>Mr DN Pule is appointed as Acting Director Human Settlements and Planning from 01 July 2023 to 18 February 2024.</p>		
Remuneration of Director Human Settlement and Planning - W Phala		
Annual remuneration	435 059	-
Car Allowance	93 333	-
Cellphone allowance	4 667	-
Contributions	5 609	-
Other	7 924	-
	<u>546 592</u>	<u>-</u>
<p>Mr W Phala is appointed as Director Human Settlements and Planning from the 19th February 2024.</p>		
Remuneration of Director Infrastructure and Technical Services - L Motlhamme		
Acting allowance, travel allowance, subsistence and other allowances	<u>86 898</u>	<u>72 381</u>
<p>Mr L Motlhamme was appointed as Acting Director of Infrastructure and Technology Services from 01 July 2023 to the 18th February 2024.</p>		
Remuneration of Director Infrastructure and Technical Services - T Hlabangwane		
Acting allowance, travel allowance, subsistence and other allowances	<u>-</u>	<u>148 813</u>
<p>Mr T Hlabangwane was appointed as Acting Director Infrastructure and Technology Services from 21 November 2022 to 30 June 2023.</p>		
Remuneration of Director Infrastructure and Technical Services - O Masilo		
Annual remuneration	441 067	-
Car Allowance	130 667	-
Cellphone allowance	4 667	-
Contributions	6 418	-
Other	7 924	-
	<u>590 743</u>	<u>-</u>
<p>Mr O Masilo was appointed as Director Infrastructure and Technology Services from the 19th February 2024.</p>		
Remuneration of Chief Audit Executive - Ms M Lekhafola		
Annual Remuneration	381 120	-
Travel Allowance	112 000	-
Cellphone Allowance	4 000	-

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29. Employee related costs (continued)		
Other Allowances	7 807	-
Contributions	5 522	-
	510 449	-

Ms M Lekhafola was appointed as Chief Audit Executive from 01 March 2024. No employee was appointed to Act in the position previously, and hence no Acting allowance disclosures are made.

30. Remuneration of councillors

Executive Mayor	1 040 254	988 964
Chief Whip	601 341	755 222
Members of the mayoral committee	8 118 582	8 262 573
Speaker	842 114	801 940
Councillors	24 736 497	23 447 750
	35 338 788	34 256 449

Additional information

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

Councillor's remuneration - June 2024	Basic salary	Travel allowance	Cellphone allowance	Other allowance	Total
Executive Mayor	653 235	196 765	49 608	140 646	1 040 254
Speaker	543 908	157 412	49 608	91 186	842 114
Chief whip	423 862	110 680	37 857	28 941	601 340
Members of mayoral committee	5 698 842	1 502 795	510 435	406 784	8 118 856
Other councillors	16 337 288	4 048 077	3 376 819	974 040	24 736 224
	23 657 135	6 015 729	4 024 327	1 641 597	35 338 788

Councillor's remuneration - June 2023	Basic salary	Travel allowance	Cellphone allowance	Other allowance	Total
Executive Mayor	572 768	196 765	44 400	175 031	988 964
Speaker	509 748	157 412	44 400	90 380	801 940
Chief whip	563 248	147 574	44 400	-	755 222
Members of mayoral committee	5 662 127	1 613 475	488 400	498 571	8 262 573
Other councillors	15 431 394	4 037 957	3 022 900	955 499	23 447 750
	22 739 285	6 153 183	3 644 500	1 719 481	34 256 449

31. Depreciation and amortisation

Property, plant and equipment	325 665 771	316 525 417
Intangible assets	3 602	-
	325 669 373	316 525 417

32. Impairment loss and reversals

Reversal of impairments

Property, plant and equipment	1 047 750	25 054 444
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Figures in Rand			2024	2023
33. Finance costs				
Municipal debt relief - debt waived			34 573 158	-
Late payment charges			76 673 160	59 501 953
Interest cost on landfill site provision			1 964 272	2 056 445
Defined benefit obligation			22 490 000	17 902 000
			135 700 590	79 460 398
34. Debt impairment				
Contributions to debt impairment provision			291 488 312	74 245 497
Bad debts written off			-	152 176 083
			291 488 312	226 421 580
35. Bulk purchases				
Electricity - Eskom			832 713 902	704 909 902
Water			146 520 310	159 701 260
			979 234 212	864 611 162
Electricity losses				
	Units	Units		
Units purchased	472 841 613	392 967 953	832 713 903	704 909 902
Units sold	(240 059 926)	(203 483 837)	(670 008 643)	(587 680 663)
Total loss	232 781 687	189 484 116	162 705 260	117 229 239
Percentage Loss:				
Electricity distribution losses	49 %	48 %	20 %	17 %
Water losses				
Units purchased	42 526 762	44 984 337	139 498 115	159 701 260
Units sold	(4 157 398)	(8 273 775)	(114 848 255)	(166 141 313)
Total loss	38 369 364	36 710 562	24 649 860	(6 440 053)
The distribution losses incurred for the distribution of water could not be ascertained as the municipality has a varied quantity and price mix of water. The largest quantity of water is purchased in raw form from the Department of Water and Sanitation, whilst purified and clean water is purchased from Rand Water and City of Tshwane.				
36. Contracted services				
Outsourced Services				
Information Technology Services			38 229 272	19 983 079
Security Services			130 958 392	93 816 232
Refuse removal			8 516 030	3 802 870
Accounting Support and Advisory Services			45 277 379	32 723 725
Revenue Consultants			18 311 443	10 482 402
			241 292 516	160 808 308

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37. Fair value adjustments		
Investment property (Fair value model)	37 872 800	(830 000)
38. General expenses		
Advertising	3 397 668	3 616 602
Auditor's remuneration	9 664 803	9 653 847
Bank charges	3 242 456	3 340 800
Assistance to indigents	397 592	33 113
Consulting and professional fees	341 896	140 854
Consumables	20 989 980	13 728 012
Discount allowed	20 899	414 594
Graphical design	-	466 429
Grant expenditure	165 045	140 414
Insurance	7 069 702	35 449 716
Community development and training	127 334	170 319
Bus hire	-	99 190
Geographical information system	643 189	604 400
Marketing	70 389	55 500
Motor vehicle expenses	1 907 228	997 711
Water and electricity	5 825 387	18 671 336
Postage and courier	4 500	-
Printing and stationery	433 177	1 059 027
Audit committee cost	366 511	759 251
Protective clothing	4 051 687	4 200 774
Repairs and maintenance	193 380 571	143 082 586
Subscriptions and membership fees	7 358 452	8 686 383
Telephone and fax	4 339 668	4 919 713
Valuation costs	7 425 857	1 209 424
Training	13 784 547	3 561 638
Travel and accommodation	3 915 024	4 623 853
Refuse	1 087 828	1 280 305
Medical Expenses - Pensioners	4 623 055	4 434 010
Water resource Management charges	388 314	364 218
Licence fees	3 400	3 400
Plant and machinery hire expenses	225 363 540	176 641 046
Other expenses	3 079 899	8 978 545
Legal fees	16 901 825	13 865 718
Project management costs	1 231 041	2 194 500
Social programmes	686 262	263 365
Ward committees expenses	5 903 300	6 115 200
Mayoral out-reach programme	1 200 650	1 499 709
Chemicals	18 377 612	22 944 054
Community participation	4 296 368	4 050 264
COVID 19 expenses	-	3 877
	572 066 656	502 323 697

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Figures in Rand	2024	2023
39. Cash (used in) generated from operations		
Deficit	(308 034 064)	(126 423 698)
Adjustments for:		
Depreciation and amortisation	325 669 373	316 525 417
Gain on landfill site	1 990 116	(4 243 457)
Fair value adjustments	(37 872 800)	830 000
Impairment deficit	1 057 058	25 054 444
Bad debts written off	291 488 312	226 421 580
Movements in retirement benefit assets and liabilities	14 478 721	(1 834 999)
Movements in provisions	2 252 098	2 056 445
Movement on accumulated surplus	-	(1 218 984 567)
Straight lining of operating lease expenses	-	(14 784 950)
Changes in working capital:		
Inventories	(16 968 748)	(13 113 313)
Other receivables	-	56 594 150
Consumer debtors	(247 266 123)	(196 072 030)
Other receivables from non-exchange transactions	(105 904 400)	823 838 041
Other financial asset	(844 786)	(105 163)
Payables from exchange transactions	(27 584 782)	589 624 740
VAT	(26 706 033)	(68 491 608)
Unspent conditional grants and receipts	(1 091 153)	(73 408 201)
Consumer deposits	2 334 826	(366 030)
	(133 002 385)	323 116 801
40. Commitments		
Capital commitments		
Authorised capital expenditure		
• Sanitation	55 041 837	108 760 860
• Roads and stormwater	116 730 443	173 305 811
• Electricity	7 348 606	10 931 027
• Community	5 453 200	-
• Other	21 302 095	26 495 573
	205 876 181	319 493 271
Total capital commitments approved and contracted for	205 876 181	319 493 271

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

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41. Contingencies		
Contingent liabilities		
1) Magalies Water The plaintiff is claiming for breach of undertaking and damages incurred for rendering of additional services	36 550 923	36 550 923
2) 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	-	400 000
3) 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	18 568 856	16 842 500
4) Boss Directory Services The plaintiff is claiming for services allegedly rendered	683 724	683 724
5) Resilient Properties Claiming for damages of former employees actions	28 803 025	28 803 025
6) LSO The plaintiff alleges that the municipality failed to pay him three months of services rendered	4 828 747	4 810 747
7) Ngwenya River Estate The plaintiff is claiming for damages for repair of substation and/or pump station	188 198	188 198
8) Flame IT Claiming for outstanding amount for services allegedly rendered	54 604 678	54 604 678
9) 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	20 000 000
10) Leon Van Rhyn The plaintiff claims for damages as a result of collusion caused by pothole	1 142 051	1 064 849
11) Martin Jordan Claim for damages due to a lack of road marking. The plaintiff drove his quadricycle into exposed building materials	5 928 000	5 928 000
12) Stephen Velaphi Chauke Claim for damages caused by a pothole	16 800	16 800
13) Mok Development CC Claim for alleged breach of contract	6 893 012	6 893 012
14) Mosaza Civil Engineering Claim for cessionary material supplied on Provincial project instituted against the municipality. The Province refused to pay for further work due to non compliance	7 245 348	7 245 348
15) JJ Van Der Walt Claim for alleged failure by the municipality to repair and maintain traffic light which allegedly caused the accident.	340 131	340 131
16) SM Ubane Claim for damages arising from the alleged failure by the municipality to cover a hole at a construction site.	850 000	250 000
17) Andre Coetzee Claim for damages on his property due to burst pipe	145 541	-
18) Hometrad 66 CC Claim for defamatory remarks made by municipal employee against the plaintiff	400 000	-
19) Elizabeth M Ntlatleng Claim for collision with pothole near mount close	66 165	-
20) Hartbeespoort Irrigation Board Claim for water usage charges.	726 814	-
21) Openserve (Pty) Ltd Claim for damages on underground cables.	94 047	-
	188 076 060	184 621 935

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42. Related parties

Relationships

Accounting Officer

Councillors

Post employment benefit plan for employees and/or other related parties

Members of key management

Refer to accounting officers report

Refer to note 30

Refer to note 16

No other payments are made outside the contractual employment payments from employment.

Remuneration of management

Management class: Councillors

2024

Name	Basic salary	Travel Allowances	Cellphone Allowances	Other benefits received	Total
Executive Mayor	653 235	196 765	49 608	140 646	1 040 254
Chief Whip	543 908	157 412	49 608	91 186	842 114
Speaker	423 862	110 680	37 857	28 941	601 340
EXCO Office Bearers	5 698 842	1 502 795	510 435	406 783	8 118 855
Councillors	16 337 288	4 048 077	3 376 819	974 041	24 736 225
	23 657 135	6 015 729	4 024 327	1 641 597	35 338 788

2023

Name	Basic salary	Travel Allowances	Cellphone Allowances	Other benefits received	Total
Executive Mayor	572 768	196 765	44 400	175 031	988 964
Chief Whip	563 248	147 574	44 400	-	755 222
Speaker	509 748	157 412	44 400	90 380	801 940
EXCO Office Bearers	5 662 127	1 613 475	488 400	498 571	8 262 573
Councillors	15 431 394	4 037 957	3 022 900	955 499	23 447 750
	22 739 285	6 153 183	3 644 500	1 719 481	34 256 449

Management class: Key advisors/Sub committees - Audit Committee

2024

Name	Preparation	Sitting allowance	Cellphone	Total
Mrs. APC Mangoma	9 578	19 104	1 750	30 432
Mr. S Maharaj	9 578	19 104	1 750	30 432
Mr. PR Mnisi	7 662	15 283	1 400	24 345
Mr. TG Nevhutalu	11 493	22 599	1 750	35 842
Ms. AMM Badimo	9 578	19 104	1 750	30 432
	47 889	95 194	8 400	151 483

2023

Name	Preparation	Sitting allowance	Cellphone	Travelling	Total
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42. Related parties (continued)					
Mrs. APC Mangoma	32 948	86 497	3 150	1 063	123 658
Mr. S Maharaj	15 324	39 482	1 400	-	56 206
Mr. PR Mnisi	21 454	50 603	1 750	1 012	74 819
Mr. TG Nevhutalu	36 778	105 461	2 800	2 039	147 078
Ms. AMM Badimo	19 539	50 836	2 100	350	72 825
	126 043	332 879	11 200	4 464	474 586

Management class: Key advisors/Sub committees - Risk Committee

2024

Name	Preparation	Sitting allowance	Cellphone	Travelling	Total
Mr. SAB Ngobeni	37 266	61 454	1 500	2 793	103 013
Mr. BO Mmusinya	5 733	11 345	300	-	17 378
Dr. Skeepers	2 867	9 454	-	1 881	14 202
	45 866	82 253	1 800	4 674	134 593

2023

Name	Preparation	Sitting allowance	Cellphone	Travelling	Total
Mr. SAB Ngobeni	54 785	136 251	4 800	1 098	196 934
Mr. BO Mmusinya	38 653	98 027	4 300	-	140 980
	93 438	234 278	9 100	1 098	337 914

43. Comparative figures

Certain comparative figures have been restated.

The effect of the restatements are disclosed in the prior period adjustments note 52.

44. Risk management

Financial risk management

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

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 for the Medium-Term Revenue and Expenditure Framework (MTREF) are prepared in terms of the Municipal Budget and Reporting Regulations (MBRR), and monthly monitoring and returns performed in terms of Section 71 of the MFMA.

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44. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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 counterparty.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies.

Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to analysis of consumer debtors is given in the accounting policies and Note 8 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with higher credit-ratings.

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

Financial Instruments

Other financial assets	4 079 520	3 234 734
Consumer debtors	445 711 309	406 515 747
Receivables from non-exchange transactions	7 215 299	-
Cash and cash equivalent	71 270 014	181 939 592
	528 276 142	591 690 073

Market risk

Interest rate risk

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

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44. Risk management (continued)

Maturity Analysis

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	275 963 084	413 449 781	-	-	689 412 865
Payables from exchange transaction	1 376 445 558	-	-	-	1 376 445 558
Consumer deposits	27 187 688	-	-	-	27 187 688
	1 679 596 330	413 449 781	-	-	2 093 046 111

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	47 601 940	277 677 984	-	-	325 279 924
Payables from exchange transaction	1 404 030 336	-	-	-	1 404 030 336
Consumer deposits	24 852 862	-	-	-	24 852 862
	1 476 485 138	277 677 984	-	-	1 754 163 122

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs during the MTREF.

45. Going concern

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.

We draw attention to the fact that the municipality had a net deficit of R 308,034,064 for the year ended 30 June 2024 (2023: 126,423,698) and the current liabilities of R 1,688,192,130 (2023: R 1,487,972,199) exceeded the current assets of R 878,535,462 (2023: R 883,003,262) by R 809,656,668 as at 30 June 2024 (2023: 604,968,937). The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the National and Provincial government continue to provide and appropriate grant funding to the municipality in terms of the Division of Revenue Act.

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services.

The challenges faced regarding financial issues manifest in cash flow constraints. During the current financial year, the municipality experienced serious cash flow challenges, and some grants were paid back to the national treasury due to under performance on grants. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion.

The municipality has developed a financial recovery plan which seeks to address issues that have contributed to the current financial challenges. This strategy takes a holistic approach to the municipality and was presented and approved by the municipal council.

46. Unauthorised expenditure

Opening balance as previously reported	4 387 132 175	3 978 890 006
Add: Unauthorised expenditure - current	321 642 125	408 242 169
Closing balance	4 708 774 300	4 387 132 175

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46. Unauthorised expenditure (continued)		
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	134 608 462	285 255 937
Cash	187 033 663	122 986 232
	321 642 125	408 242 169
Analysed as follows: non-cash		
Depreciation and amortisation	134 608 462	285 255 937
Analysed as follows: cash		
Bulk purchases	80 338 292	67 249 033
Inventory water	-	(43 030 985)
Contracted services	31 663 562	3 226 854
General expenditure	52 862 548	60 478 031
Employee related costs	16 995 994	18 271 657
Finance charges	5 173 267	16 791 642
	187 033 663	122 986 232
Unauthorised expenditure: Budget overspending – per municipal department:		
Vote 04: Corporate and Support Services	-	2 120 510
Vote 06: Infrastructure and Technical Services	259 182 332	350 701 485
Vote 10: Public Safety, Fleet & Facilities Management	62 459 793	55 420 174
	321 642 125	408 242 169
47. Fruitless and wasteful expenditure		
Opening balance as previously reported	199 265 232	139 172 179
Add: Fruitless and wasteful expenditure identified - current	77 068 599	60 365 247
Less: Amount recovered - current (duplicate payments)	-	(272 194)
Less: Interest reversed from Eskom Bulk account	(76 962 117)	-
Closing balance	199 371 714	199 265 232

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47. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure		
Eskom	- 72 572 837	56 878 715
Rand Water	- 107 549	877 181
Department of Water and Sanitation	- 2 510 324	1 920 845
Telkom	- 16 306	-
Auditor General South Africa	- 1 600 672	198 284
SARS	- 58 382	60 336
Eskom small accounts	- 35 557	157 457
Duplicates payments	- 144 954	272 195
MFMA	- 22 018	-
	- 77 068 599	60 365 013

48. Irregular expenditure

Opening balance as previously reported	2 504 721 038	2 766 445 401
Add: Irregular expenditure - current	82 110 679	13 739 296
Add: Irregular expenditure - prior period	88 947 582	33 155 526
Add: Prior year correction	42 163 588	29 231 732
Less: Amount incorrectly classified	(11 812 986)	(178 705 852)
Less: error on limitation of scope inclusions	-	(159 145 065)
Closing balance	<u>2 706 129 901</u>	<u>2 504 721 038</u>

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

Competitive bidding not invited	82 110 679	11 139 281
Three written quotations not invited	-	447 138
Deviations	-	2 152 877
	<u>82 110 679</u>	<u>13 739 296</u>

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49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to SALGA		
Opening balance	7 769 286	10 185 632
Current year subscription / fee	7 328 738	7 772 784
Amount paid - current year	(6 879 782)	(10 189 130)
	8 218 242	7 769 286
Audit fees		
Opening balance	728 204	5 248 963
Current year subscription / fee	11 093 358	14 683 554
Amount paid - current year	(11 066 844)	(19 204 313)
	754 718	728 204
PAYE and UIF		
Opening balance	8 479 704	8 082 185
Current year subscription / fee	116 940 459	104 602 306
Amount paid - current year	(114 770 837)	(104 204 787)
	10 649 326	8 479 704
Pension and Medical Aid Deductions		
Opening balance	13 663 061	10 300 973
Current year subscription / fee	208 071 790	194 545 187
Amount paid - current year	(204 156 422)	(191 183 099)
	17 578 429	13 663 061

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49. 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 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
M Du Plessis	3 132	6 339	9 471
NR & FP Rakolle	6 695	38 298	44 993
JM Mamabolo	-	16 970	16 970
KS & TP Komape	3 538	25 403	28 941
HL Laurens	329	1 352	1 681
PM, EM & JM Maunatlala, Bopape & Sereme	2 144	16 347	18 491
DS Maimane	-	9 178	9 178
TW Mhlanga	-	106 406	106 406
JC Van Rhyn	-	14	14
E Van Der Schyff	22 457	1 171	23 628
	38 295	221 478	259 773
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
M Du Plessis	2 956	1 103	4 059
NR & FP Rakolle	6 550	10 955	17 505
JM Mamabolo	-	24 686	24 686
KS Komape	1 824	24 272	26 096
HL Laurens	314	930	1 244
PM, EM & JM Maunatlala, Bopape & Serene	-	23 904	23 904
DS Maimane	2 190	11 901	14 091
TW Mhlanga	-	111 733	111 733
J Ratloi	1 458	3 764	5 222
JC Van Rhyn	-	14	14
	15 292	213 262	228 554

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

Supply chain management regulations

In terms of section 45 of the Municipal Supply Chain Management Regulations, the municipality must disclose particulars of any award of more than R2 000.00 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) months

Awards to Family of Employees in the Service of the Municipality and Other State Entities	Name of State Employee	Position Held	Payments 2024
Madibu Onthatile	GM Shibambu	Assistant Manager	109 608
Fountains of Life Transport and Tourism	GM Shibambu	Assistant Manager	195 953
OJ Selepe Business Enterprise	G Selepe	General Worker	559 109
Rapid Volt Trading and Projects	SD Mamonyane	Superintendent	11 880
Mantoka	TE Ramatabane	Process Controller	165 510
Boar Industries	P Mamabolo	Examiner of Licences	20 250
Khoza Multi Skill Worx	TP Khoza	General Worker	26 000
Arebeng Holdings	KL Moima	Cashier - Testing Ground	172 730
			1 261 040

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

Non-compliance with the Municipal Finance Management Act

1) Expenditure Management

Section 65(2)(e) of the MFMA requires the accounting officer to take all reasonable steps to ensure that all monies owing by the municipality is paid within 30 days of receiving the relevant invoice or statement.

During the financial year 2023/24, the municipality did not always pay the Eskom Bulk account for the purchase of electricity within 30 days of receiving the relevant invoice. The late and/or delayed Eskom bulk payments resulted in interest being charged on the outstanding amount.

The municipality did not always pay the Department of Water and Sanitation (DWS) for bulk purchase of water within 30 days of receiving the relevant invoice or statement. The late and/or delayed DWS bulk payment resulted in interest being charged on the outstanding invoice or statement.

The municipality did not always pay the Rand Water account for the purchase of water within 30 days of receiving the invoice or statement. The late and/or delayed payment to Rand Water resulted in interest being charged on the outstanding invoice or statement.

The municipality did not always pay the Telkom account within 30 days of receiving the invoice or statement. The late and/or delayed Telkom account payment resulted in interest being charged on the outstanding invoice or statement.

The amount of interest actually paid towards outstanding accounts has been classified as fruitless and wasteful expenditure in terms of Section 1 of the MFMA and related disclosures have been made in these annual financial statements. The disclosure relating to fruitless and wasteful expenditure is made in Note 47 of these financial statements.

2) General financial management functions (Document management)

Section 62(1)(b) of the MFMA requires that the accounting officer to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Some historical documents relating to accounts included in the Integrated Financial Management System were not maintained by the municipality. Some of the accounts which records have not been properly maintained were classified as suspense accounts during mSCOA migration and conversion. The suspense accounts were further reassessed at year end in line with the National Treasury guidelines, and where the definition of either an asset or liability was not met, the accounts were accordingly reclassified and reported under prior period error adjustment Note 52.

3) Revenue Management (Use of Estimates)

Section 64 of the MFMA requires that the accounting officer of the municipality must take reasonable steps to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality's credit and debtors collection policy. The Act further requires that the municipality maintains a system of internal control in respect of both revenue and debtors.

The municipality did not always have adequate systems of internal control relating to revenue and debtors in that some accounts were billed using estimates due to a number of reasons, such as faulty or broken meters and refusal of access to premises to take actual meter readings.

The amount of revenue billed on estimates is presented in Note 19

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50. 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.

Incident

Emergency	5 799 297	28 883 633
Sole supplier	815 434	249 234
Impractical or impossible to follow normal process	29 790 524	99 245 446
	36 405 255	128 378 313

51. Segment information

General information

Identification of segments

The segments of the municipality are identified as those activities and/or votes of the municipality that generate economic benefit or service potential and whose results are regularly reviewed by management to make decisions about resources to be allocated to segments and in assessing segments performance and for which separate financial information is available. 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 is a local municipality within the Bojanala Platinum District Municipality, in the North West province of South Africa. The head office of the municipality is in Brits. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout local municipalities were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Sports and Recreation, Housing, Health, Public Safety, Parks, Graveyards, Libraries and Community and Social Services
Economic and environmental services	Environmental Protection, Road Transport, Planning and Development
Trading services	Water and Electricity, Waste Management and Wastewater Management
Unallocated segments	Council administration, Municipal Manager, Corporate Support Service and Budget & Treasury Office

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51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Public Safety	Economic and environmental services	Trading services	Unallocated Segments	Total
Revenue					
Service charges	64 187 176	-	823 907 166	(68 203)	888 026 139
Rental of facilities and equipment	2 148 005	47 664	-	-	2 195 669
Other income	3 300 452	(47 500)	7 229 283	14 441 055	24 923 290
Interest received from debtors	8 214 378	-	54 646 486	7 478 010	70 338 874
Interest received from investments	-	-	-	15 926 844	15 926 844
Interest from property rates	-	-	-	46 070 147	46 070 147
Property rates	-	-	-	361 611 385	361 611 385
Government grants & subsidies	1 283 281	831 000	332 950 599	1 055 108 781	1 390 173 661
Interest - municipal debt relief - debt waived	-	-	-	108 161 356	108 161 356
Agency services	-	-	17 283 123	-	17 283 123
Fines, penalties and forfeits	-	-	2 910 125	-	2 910 125
Licences and permits	-	-	7 246 342	-	7 246 342
Fair value adjustments	-	-	37 872 800	206 262	38 079 062
Actuarial gain	-	-	-	6 973 279	6 973 279
Total segment revenue	79 133 292	831 164	1 284 045 924	1 615 908 916	2 979 919 296
Entity's revenue					2 979 919 296

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	Community and Public Safety	Economic and environmental services	Trading services	Unallocated Segments	Total
51. Segment information (continued)					
Expenditure					
Employee related costs	183 955 318	17 118 727	336 048 158	162 598 791	699 720 994
Finance costs	-	-	76 673 267	59 027 323	135 700 590
Loss on disposal of assets	-	-	594 742	-	594 742
General expenditure	10 716 764	609 154	476 507 067	84 233 670	572 066 655
Bulk purchases	-	-	979 234 212	-	979 234 212
Contracted services	8 516 030	-	130 958 392	101 818 094	241 292 516
Debt impairment	-	-	-	291 488 312	291 488 312
Gain on provision for landfill site	1 395 374	-	-	-	1 395 374
Remuneration of Councillors	-	-	-	35 338 787	35 338 787
Transfer and subsidies	579 772	-	1 027 554	2 796 728	4 404 054
Depreciation and amortisation	-	-	325 665 771	3 602	325 669 373
Impairment loss	1 047 750	-	-	-	1 047 750
Total segment expenditure	206 211 008	17 727 881	2 326 709 163	737 305 307	3 287 953 359
Total segmental surplus/(deficit)	(127 077 716)	(16 896 717)	1 042 663 239	878 603 609	(308 034 063)

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

2023

	Community and Public Safety	Economic and environmental services	Trading services	Unallocated Segments	Total
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51. Segment information (continued)

Revenue

Service charges	59 740 556	-	807 654 074	(70 844)	867 323 786
Rental of facilities and equipment	1 923 363	16 963	-	-	1 940 326
Income from agency services	-	-	17 663 691	-	17 663 691
Licences and permits	-	-	6 685 518	-	6 685 518
Other income	3 448 347	(252 885)	8 539 887	15 727 654	27 463 003
Interest received from debtors	7 343 821	-	43 748 491	5 147 435	56 239 747
Fair value adjustments	-	-	-	15 137	15 137
Actuarial gains	-	-	-	22 778 000	22 778 000
Interest received from investments	-	-	-	16 443 489	16 443 489
Property rates	-	-	-	413 887 128	413 887 128
Fines, penalties and forfeits	-	-	6 366 447	-	6 366 447
Government grants and subsidies	1 318 808	1 094 000	317 532 681	943 825 509	1 263 770 998
Gain on provision for landfill site	4 243 457	-	-	-	4 243 457
Interest from property rates	-	-	-	32 168 513	32 168 513
Total segment revenue	78 018 352	858 078	1 208 190 789	1 449 922 021	2 736 989 240

Entity's revenue

2 736 989 240

Expenditure

Employee related costs	170 499 840	16 608 780	311 932 102	153 664 574	652 705 296
Remuneration of Councillors	-	-	-	34 256 449	34 256 449
Depreciation and amortisation	-	-	316 127 681	397 736	316 525 417
Contracted services	3 802 870	-	93 816 232	63 189 206	160 808 308
Fair value adjustments	-	-	830 000	-	830 000
Bulk purchases	-	-	864 611 162	-	864 611 162
Impairment loss	25 054 444	-	-	-	25 054 444
Finance cost	-	-	59 501 953	19 958 445	79 460 398
Debt impairment	-	-	-	226 421 580	226 421 580
General expenses	12 208 720	719 534	383 458 052	105 937 390	502 323 696
Transfers and subsidies	-	-	-	416 183	416 183
Total segment expenditure	211 565 874	17 328 314	2 030 277 182	604 241 563	2 863 412 933

Total segmental surplus/(deficit)

(133 547 522) (16 470 236) (822 086 393) 845 680 458 (126 423 693)

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	Community and Public Safety	Economic and environmental services	Trading services	Unallocated Segments	Total
51. Segment information (continued)					
2024					
Assets					
Inventories	10 318	-	762 942	51 319 099	52 092 359
Other financial assets	-	-	-	4 079 520	4 079 520
Receivables from non-exchange transactions	-	-	(1 864 752)	219 486 944	217 622 192
VAT receivables	(33 839 797)	-	(80 236 775)	201 836 640	87 760 068
Consumer debtors	45 391 561	-	270 012 956	130 306 793	445 711 310
Cash and cash equivalent	-	-	1 308 390	69 961 624	71 270 014
Investment property	-	-	-	140 397 800	140 397 800
Property, plant and equipment	(69 959 801)	56 708 052	4 817 346 083	55 719 545	4 859 813 879
Intangible assets	-	-	-	361 617	361 617
Heritage assets	-	-	-	10 100	10 100
Total segment assets	(58 397 719)	56 708 052	5 007 328 844	873 479 682	5 879 118 859
Total assets as per Statement of financial Position					5 879 118 859
Liabilities					
Other financial assets	-	-	-	413 449 781	413 449 781
Payables from exchange transactions	-	-	-	1 376 445 558	1 376 445 558
Consumer deposits	-	-	27 187 688	-	27 187 688
Employee benefit obligation	-	-	-	8 180 893	8 180 893
Unspent conditional grants and receipts	-	-	-	414 908	414 908
Other financial liabilities - non current	-	-	-	275 963 084	275 963 084
Employee benefit obligation - non current	-	-	-	179 815 839	179 815 839
Provisions	20 845 343	-	-	-	20 845 343
Total segment liabilities	20 845 343	-	27 187 688	2 254 270 063	2 302 303 094
Total liabilities as per Statement of financial Position					2 302 303 094

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

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52. 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

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Unspent conditional grants and receipts (Error 7)	17	(1 630 803)	124 742	-	(1 506 061)
Payables from exchange transactions (Error 6)	14	(1 453 414 342)	49 384 006	-	(1 404 030 336)
Consumer debtors (Error 2)	7	1 167 500 672	(760 984 925)	-	406 515 747
Other financial liabilities - non-current (Error 5)	13	-	-	(277 677 984)	(277 677 984)
Other financial liabilities - current (Error 5)	13	(325 279 924)	-	277 677 984	(47 601 940)
Receivables from non-exchange transactions (Error 2)	5	583 727 667	(388 592 124)	-	195 135 543
Other receivables (Error 3)		54 231 800	(54 231 800)	-	-
Property, plant and equipment (Error 4)	8	4 844 328 672	4 237 857	-	4 848 566 529
Accumulated surplus		5 034 912 073	805 050 860	-	4 229 861 213
		(165 448 331)	(345 011 384)	-	(510 459 715)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Government grants & subsidies (Error 7)		(1 263 646 256)	(124 742)	-	(1 263 770 998)
Interest received from debtors (exchange) (Error 8)	24	(88 408 260)	-	32 168 513	(56 239 747)
Interest received from property rates (non-exchange) (Error 8)	24	-	-	(32 168 513)	(32 168 513)
Interest received from investments (Error 9)		(16 443 489)	-	(15 137)	(16 458 626)
Fair value adjustments (Error 9)		814 863	-	15 137	830 000
Debt impairment (Error 2)		(118 316 810)	344 738 390	-	226 421 580
Depreciation and amortisation (Error 4)		316 127 681	397 736	-	316 525 417
Surplus for the year		(1 169 872 271)	345 011 384	-	(824 860 887)

Cash flow statement

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52. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Interest income	39	104 851 749	15 137	104 866 886
Sale of goods and services		1 283 151 239	627 766 011	1 910 917 250
Other receipts	39	-	114 667 644	114 667 644
Dividends or similar distributions received	39	60 435 844	(60 435 844)	-
Suppliers	39	(1 549 277 787)	(681 997 836)	(2 231 275 623)
		(100 838 955)	15 112	(100 823 843)
Cash flow from investing activities				
Purchase of investment property	9	(914 863)	(15 317)	(930 180)

Errors

The following prior period errors adjustments occurred:

Error 1 - Cash flow statement

Cash flow was restated due to calculation errors and as a result of the other correction of errors

Error 2 - Receivables from exchange, Receivables from non-exchange transactions) and Debt Impairment

Correction of mathematical inaccuracies in the calculation of debt impairment. The risk types were not appropriately allocated in terms of the approved municipal methodology and as a result, have been recalculated and amended.

Error 3 - Other receivables

Correction of prior period error relating to unreconciled and unallocated opening balance of R10 349 761.25 (FNB Consumer Account), R10 927 161.04 (ABSA Account) and R920 187.33 (FNB Main Primary Account) emanating from 2021 financial year which were incorrectly accounted for as other receivables. The reconciling items were cleared.

The unauthorised debit orders amounting to R19 724 089 were incorrectly accounted for as assets whilst the recognition criteria for assets was not met. The amount have been expensed in the period(s) in accordance with National Treasury's guidance. Also refer to fruitless and wasteful expenditure for amended disclosure adjusted due these amounts. In addition, disclosure has been included for material losses through criminal conduct.

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52. Prior-year adjustments (continued)

Error 4 - Property, plant and equipment & Depreciation and amortisation

Correction of prior period error relating to incorrect capitalisation of work in progress in infrastructure assets.

Error 5 - Other financial liabilities

The municipality has established a payment agreement with PIC, and the payable amounts have been adjusted to show the comparable impact of this arrangement by splitting the liability between current and non-current portions.

The other portion of the error relates to the accounting for municipal debt relief as per MFMA Circular 124 following National Treasury's approval.

Error 6 - Payables from exchange transactions

The municipality identified unrecorded liabilities in the prior year. The balance of trade payables has been amended to include the portion of liabilities that were not recorded.

The municipality now accounts for Eskom Debt Relief in terms of the MFMA Circular No. 124 by derecognising the old liability in trade payables and recognising other financial liabilities in terms of the debt relief regulations.

Error 7 - Unspent conditional grants

Grant movement not accounted for accurately in the prior year.

Error 8 - Interest received from debtors (Exchange and non-exchange transactions)

The error relates to the splitting investment received from debtors to interest received from exchange transactions and interest received from non-exchange transactions (i.e property rates).

Error 9 - Interest received from investment & Fair Value adjustment

The error relates to confirmations received for investment revenue that affect prior year reported balances.

Error - Commitments

Opening balance (previously stated)	-	349 753 055
Adjustments made	-	(30 259 784)
Restated opening balance	-	319 493 271

There was an error in aggregating commitment disclosure for projects. In addition, the commitment listing was not accurately casted. The opening balance has been amended to reflect the corrected commitment listing.

Error - Fruitless and wasteful expenditure

Opening balance	-	121 186 376
Adjustments made	-	17 985 803
Restated opening balance	-	139 172 179

The primary changes relates to unauthorised debit orders which were incorrectly recorded as other receivables despite not fulfilling the recognition criteria for assets. When these transactions are debited against the municipal account, they become expenditure as defined. Since the municipality gained no benefit from these expenses, they are considered fruitless and wasteful.

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52. Prior-year adjustments (continued)

Error - Service charges

Opening balance	-	28 153 912
Adjustments made	-	15 982 262
Restated opening balance	-	44 136 174

The prior year financial statements have been restated to correct an error resulting from the use of an incomplete report. This initial report was subsequently replaced with a complete register, which was utilised to determine the revised figures.

Error - Unauthorised expenditure

Opening balance	-	4 205 501 249
Adjustments made	-	(226 611 243)
Restated opening balance	-	3 978 890 006

The prior year errors identified on recalculation of unauthorised expenditure.

53. Auditors' remuneration

Fees	9 664 803	9 653 847
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54. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

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.

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54. Accounting by principals and agents (continued)

Entity as agent

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

The municipality has disclosed all amounts held on behalf of the principle in the financial statements.]

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 17 283 123 (2023: 17 663 691).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal.

Additional information

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

Reconciliation of the carrying amount of payables

North West Provincial Government Department of Transport

Opening balance	21 940 940	25 096 349
Other	(17 176 154)	(3 155 409)
	<u>4 764 786</u>	<u>21 940 940</u>

There were no significant or material changes in the agreement during the period. No material risks were identified on the agreement for the municipality.

All categories

Opening balance	21 940 940	25 096 349
Other	(17 176 154)	(3 155 409)
	<u>4 764 786</u>	<u>21 940 940</u>

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55. Events after the reporting date

The municipality, after assessments, has concluded that a non-adjusting event exist which relate to the non-compliance with electricity tariff increment application procedures. The municipality is non-compliant with the provision which entail that tariff application and the Nersa (regulatory authority) approvals must be in line with the cost of supply in determining electricity tariffs. The Afriforum has lodged a legal case against Nersa for approving the electricity tariffs for the financial year 2024/2025 without cost of supply. Although Nersa has appealed to the Supreme Court, the High Court judgement found that municipality's are prohibited from charging electricity tariffs where Nersa did not approve the municipality's tariff application based on a cost of supply study. The implementation of the legal proceeding is that this might affect the revenue of the municipality.

Unauthorised, Fruitless and Wasteful; Irregular Expenditure

The accounting officer commissioned review on the amounts of unauthorised, fruitless and wasteful and irregular expenditure in an effort to institute consequence management and to deal decisively with cases of non-compliance in accordance with the provisions of Section 32 of the MFMA. A report containing the reviews and investigations undertaken was submitted to Council Committees for consideration and approval by Council. However as at the date of submission of these financial statements, Council had not sat to consider the reports. The estimated adjustment to revenue in the financial year 2024/2025 is at R21 598 841.