



MAHIKENG

LOCAL MUNICIPALITY
Diversity. Culture . Heritage.

Mahikeng Local Municipality
Annual financial statements
for the year ended 30 June 2022

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity and governing legislation

Local Municipality
Municipal Finance Management Act(Act 56 of 2003)

Nature of business and principal activities

Provision of municipal services in terms of Chapter 7 of the Constitution of the Republic of South Africa, Act 108 of 1996
Municipal System Act No. 32 of 2000

**Executive Mayor
Councillors**

T MPHEHLO
NG HLAZO
GE MOSIEDI
CL MAHLANGU
TD FEMELE
LG SEHOLE
MM MOGAPI
DL MONALEDI
K GAOGANEDIWE
C MATSHIDISO
KK G NKO
TO MOGOIWA
LR MANGE
NB MABOTE
AL ANNANDALE
KE GAEBEE
OL MAGOGODI
TD PHUNGU
ME MSIMANGA
B MBIZA
KI MBANA
OC KGONARE
I MALAKAJE
MJ MORUBANE
KD SEKETEMA
MD JABANYANE
MG BILLIOT
BS STORRAIS
M MOPAKO
SK MATSHEKA
JC DANIELS
PL PHANTSI
KD SEGA
LR MOTLHABANE
MP SENOKWANE
GD MARUPING
KA MONCHUSI
OE MPHEHLO
PF NKO
PP MOLALE
RG MOLOSIOA
MA SETSHEDI
LJ MOTJALE
C MOHELEKETE
LMO MOKGOSI

Mahikeng Local Municipality

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General Information

ME KHATHAZO
GU LEGALATLADI
LA KGENGWE
AE RAKWENA
KC SECHOGO
MD RAMATAE
TC MAIBI
HP KGASI
DK MOLEMA
NJ MANGAYI
OGB MATHE
TC MATSHEKA
MC SEGOE
KL PHETHA
WN BOHMER
ME MOETI
MJ MONERE
ME DINGILE
T SELEPE
BC MATHE
T MOTSHABI
T MPHEHLO
KP MOTSUMI
LS MOGOTLHA
SJ VAN ROOYEN
MD PHUTHEGO

Grading of local authority

Category B

Accounting Officer

ADV D I MONGWAKETSE

Chief Finance Officer

RA MORRIS

Registered office

Cnr University Drive & Hector Peterson Road
Mmabatho
2735

Business address

Cnr University Drive & Hector Peterson Road
Mmabatho
2735

Postal address

Private Bag X63
Mmabatho
2735

Bankers

Standard Bank of South Africa
Business Centre, Nelson Mandela Drive, Mahikeng, 2745

Auditors

Auditor General of South Africa

Preparer

The annual financial statements were internally compiled by:
Head of Annual Financial Statements: Aron Penny Matlala

Mahikeng Local Municipality

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

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PIG	Provincial Infrastructure Grant
DORA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
WIP	Work in Progress
PAYE	Pay As You Earn
CETA	Construction Education Training Authority Grant

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The 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.

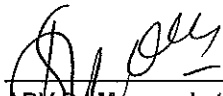
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting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

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

The accounting officer has reviewed the municipality's cash flow forecast and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 25 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:


ADY D. Mongwaketse
Accounting Officer

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	7	15 716 538	16 993 095
Receivables from non-exchange transactions	8	102 562 235	21 784 660
Receivables from exchange transactions	9	70 954 481	48 920 221
Cash and cash equivalents	10	22 133 097	40 948 096
Prepayment	11	2 631 900	3 163 440
		213 998 251	131 809 512
Non-Current Assets			
Investment property	3	285 519 000	246 983 000
Property, plant and equipment	4	1 732 900 439	1 703 731 725
Intangible assets	5	2 187 684	686 743
		2 020 607 123	1 951 401 468
Total Assets		2 234 605 374	2 083 210 980
Liabilities			
Current Liabilities			
Other financial liabilities	12	-	7 500 000
Payables from exchange transactions	14	402 116 431	430 479 409
VAT payable	15	34 282 077	17 132 956
Consumer deposits	16	13 414 512	11 590 726
Employee benefit obligation	6	2 591 000	3 413 000
		452 404 020	470 116 091
Non-Current Liabilities			
Other financial liabilities	12	-	3 750 000
Employee benefit obligation	6	280 072 000	337 696 000
Provisions	13	151 000 853	129 057 717
		431 072 853	470 503 717
Total Liabilities		883 476 873	940 619 808
Net Assets		1 351 128 501	1 142 591 172
Accumulated surplus		1 351 128 501	1 142 591 172

* - This means there was a prior year adjustment done on the balance or transaction Refer to the prior period note 35

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	246 138 700	247 375 813
Rental of facilities and equipment	19	8 260 843	7 593 573
Interest income		100 616 261	57 322 845
Licences and permits		1 898 176	2 959 950
Fees earned		6 294 204	6 168 814
Other income		15 984 525	13 557 226
Interest received - investment	20	4 588 450	6 225 438
Total revenue from exchange transactions		383 781 159	341 203 659
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	332 898 910	301 731 443
Transfer revenue			
Government grants & subsidies	22	393 729 000	455 461 949
Fines, Penalties and Forfeits		815 835	820 567
Total revenue from non-exchange transactions		727 443 745	758 013 959
Total revenue	17	1 111 224 904	1 099 217 618
Expenditure			
Employee related costs	23	(337 196 387)	(385 533 700)
Remuneration of councillors	24	(28 414 955)	(29 261 023)
Depreciation and amortisation	25	(74 894 923)	(70 833 805)
Finance costs	26	(907 713)	(178 062)
Debt Impairment	27	(194 950 703)	(319 888 902)
Repairs and maintenance	4	(40 866 376)	(23 196 603)
Bulk purchases	28	(69 198 699)	(75 923 027)
Contracted services	29	(34 234 864)	(30 024 977)
General Expenses	30	(194 573 776)	(142 601 201)
Total expenditure		(975 238 396)	(1 077 441 300)
Operating surplus		135 986 508	21 776 318
Loss on disposal of assets and liabilities		-	(46 483 366)
Fair value adjustments		38 784 940	(63 535 000)
Assets/ Liabilities losses/write-downs		(1 791 127)	(7 202 433)
		36 993 813	(117 220 799)
Surplus (deficit) for the year		172 980 321	(95 444 481)

* - This means there was a prior year adjustment done on the balance or transaction

* See Note 35

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as at 1 July 2020	1 241 500 683	1 241 500 683
Changes in net assets		
Surplus for the year	(95 444 481)	(95 444 481)
Prior period correction	(3 465 030)	(3 465 030)
Total changes	(98 909 511)	(98 909 511)
Opening balance as previously reported	1 115 804 159	1 115 804 159
Balance as at 1 July 2021 restated*	1 115 804 159	1 115 804 159
Changes in net assets		
Prior year adjustment payables(eskom account)	26 787 013	26 787 013
Correction of payable balance	(3 390 392)	(3 390 392)
Other adjustments	38 947 400	38 947 400
Net income (losses) recognised directly in net assets	62 344 021	62 344 021
Surplus for the year	172 980 321	172 980 321
Total recognised income and expenses for the year	235 324 342	235 324 342
Total changes	235 324 342	235 324 342
Balance as at 30 June 2022	1 351 128 501	1 351 128 501

Note(s)

* - This means there was a prior year adjustment done on the balance or transaction

* See Note 35

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		-	271 562 630
Government Grants and Subsidies		393 729 000	454 531 263
Cash receipts from customers		363 019 221	187 458 508
Interest Received		105 204 711	6 225 438
Other Receipts		-	31 053 084
VAT Receivable/(Payable)		-	(12 141 451)
		861 952 932	938 689 472
Payments			
Employee Related Costs		(395 400 529)	(380 109 416)
Remuneration of Councillors		(28 414 955)	(29 261 023)
Interest Paid		(907 713)	(178 062)
Suppliers paid		(339 230 157)	(375 193 826)
		(763 953 354)	(784 742 327)
Net cash flows from operating activities	31	97 999 578	153 947 145
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(103 749 848)	(121 190 543)
Proceeds on disposal of Property Plant and Equipment	3	-	(46 573 862)
Proceeds from sale of investment property	3	-	46 700 452
Purchase of other intangible assets	5	(1 814 729)	(193 113)
Net cash flows from investing activities		(105 564 577)	(121 257 066)
Cash flows from financing activities			
Movement in Long term loan		-	(7 169 311)
Financial Investments		(11 250 000)	-
Net cash flows from financing activities		(11 250 000)	(7 169 311)
Net increase/(decrease) in cash and cash equivalents		(18 814 999)	25 520 768
Cash and cash equivalents at the beginning of the year		40 948 096	15 427 328
Cash and cash equivalents at the end of the year	10	22 133 097	40 948 096

* - This means there was a prior year adjustment done on the balance or transaction

* See Note 35

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - Water revenue	167 684 000	-	167 684 000	152 711 054	(14 972 946)	1
Service charges - Sanitation revenue	48 215 000	-	48 215 000	49 314 667	1 099 667	2
Service charges - refuse revenue	44 167 000	-	44 167 000	44 112 979	(54 021)	3
Rental of facilities and equipment	7 992 000	-	7 992 000	8 260 843	268 843	4
Interest income	116 148 000	-	116 148 000	100 616 261	(15 531 739)	5
Licences and permits	3 451 000	-	3 451 000	1 898 176	(1 552 824)	6
Fees earned	-	-	-	6 294 204	6 294 204	
Other income	15 697 000	-	15 697 000	15 984 525	287 525	7
Interest received - investment	-	-	-	4 588 450	4 588 450	9
Total revenue from exchange transactions	403 354 000	-	403 354 000	383 781 159	(19 572 841)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	390 379 000	-	390 379 000	332 898 910	(57 480 090)	8
Transfer revenue						
Government grants & subsidies - Operational and Capital	397 317 000	-	397 317 000	393 729 000	(3 588 000)	9
Fines, Penalties and Forfeits	2 217 000	-	2 217 000	815 835	(1 401 165)	10
Total revenue from non-exchange transactions	789 913 000	-	789 913 000	727 443 745	(62 469 255)	
Total revenue	1 193 267 000	-	1 193 267 000	1 111 224 904	(82 042 096)	
Expenditure						
Employee related costs	(358 061 000)	-	(358 061 000)	(337 196 387)	20 864 613	11
Remuneration of councillors	(24 911 000)	-	(24 911 000)	(28 414 955)	(3 503 955)	12
Depreciation and amortisation	(60 311 000)	-	(60 311 000)	(74 894 923)	(14 583 923)	13
Finance costs	(1 823 000)	-	(1 823 000)	(907 713)	915 287	14
Debt Impairment	(284 226 000)	-	(284 226 000)	(194 950 703)	89 275 297	15
Repairs and maintenance	(86 801 000)	-	(86 801 000)	(40 866 376)	45 934 624	
Bulk purchases	(60 315 000)	-	(60 315 000)	(69 198 699)	(8 883 699)	18
Inventory consumed	(40 000 000)	-	(40 000 000)	(42 346 363)	(2 346 363)	16
Contracted services	(76 845 000)	-	(76 845 000)	(34 234 864)	42 610 136	17
General Expenses	(86 528 000)	-	(86 528 000)	(152 227 413)	(65 699 413)	18
Total expenditure	(1 079 821 000)	-	(1 079 821 000)	(975 238 396)	104 582 604	
Surplus before taxation	113 446 000	-	113 446 000	135 986 508	22 540 508	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	113 446 000	-	113 446 000	135 986 508	22 540 508	

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Summary of significant accounting policies

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 MFMA Act 56 of 2003.

The municipality's principal accounting policies, which are in all material aspects consistent with those applied in the previous year, are set out below. The details of any changes in accounting policies are explained in the note thereto. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements which are based on the best information available at the time of preparation.

1.1 Basis of presentation

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).

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

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

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 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

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

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements. Refer to the prior period note.

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. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Provisions are discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in the provision note to the financial statement.

Management's judgement is required when recognising and measuring provisions, contingent liabilities, contingent assets and debt impairment.

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

Useful lives

The municipality's management annually determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

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.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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 held at fair value.

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 whilst provisional amounts reflect the amounts determined using a reasonable basis such as the valuation roll.

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.

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses or fair value where assets have been acquired by grant or donation. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of Property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to Property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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

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
Buildings	Straight line	5 - 100
Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	7
Office equipment	Straight line	7
IT equipment	Straight line	5

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

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

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 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 or disposal 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.

1.8 Site restoration and dismantling cost

Where 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'. These costs include 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. The costs are capitalised to the cost of the relevant assets.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

An asset is identifiable if it either:

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

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

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	Useful life
Computer software	10 years

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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1.9 Intangible assets (continued)

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

The computer software is externally aquired and is not internally generated.

1.10 Conditional grants

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

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

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

1.11 Leases

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

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.

1.12 Invenstories

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

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

Invenstories 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 invenstories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the invenstories to their present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at date of acquisition. Cost is generally using the first-in-first-out principle except where stated otherwise.

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1.12 Inventories (continued)

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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:

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

Identification

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Mahikeng Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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:

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise 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 recognise 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 measure 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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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. 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. The unwinding of the discount is recognised as a finance cost.

Mahikeng Local Municipality

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1.16 Provisions and contingencies (continued)

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.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

Site Restoration, restructuring and Long Service Award

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future. The provision is discounted using a reasonable discounting rate.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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.

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1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the type of property not taking into consideration the number of refuse containers.

Service charges from sewerage and sanitation services are based on the type of service not taking into consideration the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

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 earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Tariff charges

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

1.18 Revenue from non-exchange transactions

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

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

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

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

Recognition

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

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

Measurement

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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

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

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

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.

1.19 Statutory receivables identification

Basis

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Statutory receivables identification (continued)

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

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

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

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means

Recognition

The municipality recognises statutory receivables as follows:

- (a) If the transaction is an exchange transaction, using the accounting policy on revenue from exchange transactions;
- (b) If the transaction is a non-exchange transaction, using the accounting policy on revenue from non-exchange transactions (Taxes and transfers); or
- (c) If the transaction is not within the scope of the accounting 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 municipality 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:

- (a) Interest or other charges that may have accrued on the receivable (where applicable);
- (b) Impairment losses; and
- (c) Amounts derecognise

Accrued interest

Where the Municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using prime lending rates plus one percent per annual.

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

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

Mahikeng Local Municipality

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Accounting Policies

1.19 Statutory receivables identification (continued)

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.

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

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

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

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

Any previously recognised impairment loss is adjusted 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:

- (a) The rights to the cash flows from the receivable are settled, expire or are waived;
- (b) The Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:

- (a) Derecognises the receivable; and
- (b) Recognises 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 municipality 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.

1.20 Investment income and expenses

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

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Investment income and expenses (continued)

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.21 Borrowing costs

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

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

1.22 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 expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

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1.23 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. 20 of 1998) or is in contravention of the municipality's supply chain management policy. The irregular expenditure excludes unauthorised expenditure.

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

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

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

Where the irregular expenditure was incurred in the prior financial periods and only condoned in the following financial period, the irregular expenditure register and the note to the financial statements must be updated with the amounts condoned.

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000) and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of legislation. The irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Net reserves

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

1.25 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% (14%(31 March 2018) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.26 Budget information

The Municipality is 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.26 Budget information (continued)

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 2021/07/01 to 2022/06/30.

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

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

Comparative information is not required.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 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.

1.29 Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.30 Commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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. Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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.

1.31 Other financial liabilities

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

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

1.32 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Mahikeng Local Municipality

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 25 on Employee benefits (revised)	To be determined	None at this point
GRAP 104 on Financial instruments (revised)	1 April 2025	None at this point
IGRAP 7 on The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	To be determined	None at this point
IGRAP 21 on The effect of past decisions on materiality	1 April 2023	None at this point
Guideline on Accounting for landfill sites	1 April 2023	None at this point

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	285 519 000	-	285 519 000	246 983 000	-	246 983 000

Reconciliation of investment property - June 2022

	Opening balance	Fair value adjustments	Total
Investment property	246 983 000	38 536 000	285 519 000

Reconciliation of investment property - June 2021

	Opening balance	Transfer to Land Inventory	Disposals	Fair value adjustments	Total
Investment property	357 218 500	(48)	(46 700 452)	(63 535 000)	246 983 000

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3. Investment property (continued)

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

The Investment property is measured using the fair value model in accordance with GRAP 16.

The following valuation approaches are applied in combination depending on the category of investment property as follows:

1. Comparison sales/price method. Comparable valid sales in a specific area are used, subject property is compared to the sales and market valuations are derived. This is mostly used for residential properties.
2. Capitalization of income approach. A future income stream is capitalized to determine a value of property. This valuation method is mostly used for commercial properties.
3. Replacement cost minus depreciation valuation. Valuation method for specialized property where there is no comparable properties sales, no income stream, properties like schools, churches, etc.

There are no restrictions on the realizability of investment property or the remittance of revenue and proceeds of disposal and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements for the financial year ended 30 June 2022.

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.

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	242 851 977	-	242 851 977	242 851 977	-	242 851 977
Buildings	179 520 772	(122 024 538)	57 496 234	179 520 772	(117 481 064)	62 039 708
Community facilities	168 008 177	(107 449 724)	60 558 453	168 008 177	(103 552 896)	64 455 281
Roads network	2 292 958 012	1 265 392 305	1 027 565 707	2 204 600 607	1 210 627 820	993 972 787
Stormwater network	49 559 905	(20 995 738)	28 564 167	41 857 912	(19 576 455)	22 281 457
Electrical network	165 890 929	(54 657 151)	111 233 778	165 890 929	(50 905 265)	114 985 664
Infrastructure - Work in Progress	124 678 664	-	124 678 664	132 761 529	-	132 761 529
Capital spares	2 809 006	(1 679 161)	1 129 845	2 809 006	(1 616 739)	1 192 267
Furniture and fixtures	12 732 838	(7 103 542)	5 629 296	12 140 834	(6 268 515)	5 872 319
Motor vehicles	53 901 293	(21 146 501)	32 754 792	47 604 952	(17 900 291)	29 704 661
Machinery and equipment	6 941 891	(770 580)	6 171 311	2 152 435	(490 298)	1 662 137
Computer equipment	10 554 326	(4 094 336)	6 459 990	6 911 965	(2 966 940)	3 945 025
Other assets	4 491 284	(1 991 651)	2 499 633	4 097 882	(1 397 561)	2 700 321
Landfill site	25 306 592	-	25 306 592	25 306 592	-	25 306 592
Total	3 340 205 666	(1 607 305 227)	1 732 900 439	3 236 515 569	(1 532 783 844)	1 703 731 725

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2022

	Opening balance	Prior Year Correction	Additions	Transfers	Depreciation	Total
Land	242 851 977	-	-	-	-	242 851 977
Buildings	62 039 708	-	-	-	(4 543 474)	57 496 234
Community Facilities	64 455 281	-	-	59 750	(3 956 578)	60 558 453
Roads Network Infrastructure	993 972 787	2 079 361	-	86 278 044	(54 764 485)	1 027 565 707
Storm Water Infrastructure	22 281 457	-	-	7 701 992	(1 419 282)	28 564 167
Electrical Network Infrastructure	114 985 664	-	-	-	(3 751 886)	111 233 778
Infrastructure Work-In-Progress	132 761 529	78 074	86 327 386	(94 488 325)	-	124 678 664
Landfill site	25 306 592	-	-	-	-	25 306 592
Furniture office equipment	5 872 319	-	592 005	-	(835 028)	5 629 296
Motor vehicles	29 704 661	-	6 296 341	-	(3 246 210)	32 754 792
Machinery and equipment	1 662 137	-	4 789 457	-	(280 283)	6 171 311
Computer equipment	3 945 025	-	3 642 361	-	(1 127 396)	6 459 990
Other Assets	2 700 321	-	393 402	-	(594 090)	2 499 633
Capital spares	1 192 267	-	-	-	(62 422)	1 129 845
	1 703 731 725	2 157 435	102 040 952	(448 539)	(74 581 134)	1 732 900 439

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	242 851 977	-	-	-	-	-	-	242 851 977
Buildings	40 214 400	-	-	-	26 136 374	-	(4 311 066)	62 039 708
Community facilities	61 199 861	-	-	-	6 980 594	-	(3 725 174)	64 455 281
Roads network infrastructure	1 013 835 903	(2 079 361)	-	-	34 964 124	-	(52 747 879)	993 972 787
Storm Water Infrastructure	15 831 532	-	-	-	7 643 180	-	(1 193 255)	22 281 457
Electrical network Infrastructure	102 511 823	-	-	-	16 075 978	-	(3 602 137)	114 985 664
Infrastructure Work-In-Progress	127 287 971	-	98 050 526	-	(92 576 968)	-	-	132 761 529
Landfill site	25 306 592	-	-	-	-	-	-	25 306 592
Furniture office equipment	6 326 324	8 277	397 051	(862)	-	-	(858 471)	5 872 319
Motor vehicles	10 883 929	135 136	21 066 282	-	-	-	(2 380 686)	29 704 661
Machinery and equipment	1 683 300	24 885	173 250	(2 219)	-	-	(217 079)	1 662 137
Computer equipment	3 743 294	73 743	1 068 408	(86 998)	-	(2 011)	(851 411)	3 945 025
Other assets	2 763 329	65 541	435 026	(417)	-	-	(563 158)	2 700 321
Capital spares	1 254 689	-	-	-	-	-	(62 422)	1 192 267
	1 655 694 924	(1 771 779)	121 190 543	(90 496)	(776 718)	(2 011)	(70 512 738)	1 703 731 725

Pledged as security

There were no assets that were pledged as security in the year ended 30 June 2022.

Mahikeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Property, plant and equipment (continued)		
Repairs and maintenance		
Category		2022
Maintenance of building and facilities		1 535 612
Maintenance of equipment		3 404 728
Maintenance of road and storm water		24 429 819
Maintenance of motor vehicle		11 496 217
		40 866 376

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	83 664 991	49 073 050	132 738 041
Additions/capital expenditure	63 532 856	22 794 530	86 327 386
Other movements	78 074	-	78 074
Transferred to completed items	(94 428 536)	(59 750)	(94 488 286)
	52 847 385	71 807 830	124 655 215

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Buildings at Land Fill Site	Total
Opening balance	77 318 889	25 642 990	24 337 855	127 299 734
Additions/capital expenditure	65 840 994	30 421 803	1 787 369	98 050 166
Other movements [specify]	(34 892)	-	-	(34 892)
Transferred to completed items	(59 460 000)	(6 991 744)	(26 125 224)	(92 576 968)
	83 664 991	49 073 049	-	132 738 040

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 769 947	(2 582 263)	2 187 684	2 955 217	(2 268 474)	686 743

Reconciliation of intangible assets - June 2022

	Opening balance	Additions	Amortisation	Total
Computer software	686 743	1 814 730	(313 789)	2 187 684

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Amortisation	Total
Computer software	814 697	193 113	(321 067)	686 743

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Intangible assets (continued)

Intangible assets

All computer software classified as intangible assets have useful lives of 10 years based on future expected usage. The amortisation for the year is included under depreciation and amortisation in the statement of financial performance. The entity does not have any internally generated intangible assets and no indications of impairment were identified during the financial year.

6. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

Defined Benefit Pension Fund

The Mafikeng City Council Pension Fund ("the Fund") is a defined benefit pension fund that commenced on 1 March 1983. It provides, amongst other benefits, a pension that is defined as a percentage of pensionable salary at the retirement date.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Method.

Long Service benefits

In-Service Members	656	690
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Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Employee benefit obligations (continued)		
The members of the Post-retirement medical aid benefit plan are made up as follows:		
Medical aid fund		
Total Active Members	349	359
Continuation members	26	22
	375	381
Pension Fund		
Total Active Members	434	452
Total Pensioners	6	6
	440	458
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(31 793 000)	(25 711 000)
Present value of the defined benefit obligation-partly or wholly funded	(237 749 000)	(301 298 000)
Long service awards	(13 121 000)	(14 100 000)
	(282 663 000)	(341 109 000)
Non-current liabilities	(280 072 000)	(337 696 000)
Current liabilities	(2 591 000)	(3 413 000)
	(282 663 000)	(341 109 000)
MAFIKENG CITY COUNCIL PENSION FUND ((R'000))		
FAIR VALUE OF DEFINED BENEFIT OBLIGATION		
Present Value of obligation	(609 487)	(542 175)
Interest Cost	(25 905)	(75 941)
Current Service Cost	(9 015)	(8 250)
Member Contributions	(9 215)	(9 511)
Benefits Paid	85 854	26 596
Present Value of obligation	(566 978)	(609 487)
Actuarial (gain) / loss	790	205
FAIR VALUE OF PLAN ASSETS		
Fair Value of plan assets	308 189	237 032
Expected return on plan assets	30 344	25 407
Member Contributions	9 215	9 511
Municipality Contributions	79 602	57 244
Benefits paid	(85 854)	(26 596)
Fair value of plan assets	329 229	(308 189)
Actuarial (gain) / loss on plan assets	(12 268.00)	5 591.00
	-	-

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Employee benefit obligations (continued)		
Change in liability		
Opening liability	39 811	32 450
Interest cost	4 170	3 346
Service cost	2 217	2 829
Benefits paid	(3 413)	(2 928)
Actuarial (gains) losses	2 129	4 114
	44 914	39 811
Amounts to be shown in Balance sheet		
Present value of defined benefit obligation	44 914	39 811
Amounts shown in the income statement		
Net financing cost	4 170	3 346
Service cost	2 217	2 829
	6 387	6 175
Reconciliation		
Opening Liability / (Asset)	39 811	32 450
Benefit payments	(3 413)	(2 928)
Change to income statement	6 387	6 175
Recognised actuarial gains / (Losses)	2 129	4 114
	44 914	39 811

Key Financial Assumptions

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2021:

Salary increase rate	8.10 %	6.70 %
Discount rates used	11.30 %	9.80 %
Inflation rate	7.00 %	5.50 %
Pension increase allowance(Pensioners)	7.00 %	5.00 %
Post retirement discount rate (Pensioners)	4.00 %	4.60 %
Expected rate of return on plan assets	11.30 %	9.80 %
Medical inflation	8.50 %	7.00 %
Discount rate - In service members	8.90 %	7.50 %
Discount rate - Continuation members	8.50 %	7.00 %

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Inventories		
Land	9 643 482	9 394 542
Consumable stores	5 648 806	7 273 562
Fuel (Diesel, Petrol)	424 250	324 991
	15 716 538	16 993 095

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Receivables from non-exchange transactions		
Gross balances		
Property rates	879 685 082	759 472 925
Fines	2 926 250	9 983 850
	882 611 332	769 456 775
Less: Allowance for impairment		
Property rates	(777 131 834)	(738 938 271)
Fines	(2 916 800)	(8 733 844)
	(780 048 634)	(747 672 115)
Carrying Amount		
Property rates	102 553 248	20 534 654
Fines	9 450	1 250 006
	102 562 698	21 784 660
Property rates		
Current (0 -30 days)	2 700 812	8 110 343
31 - 60 days	2 145 543	772 008
61 - 90 days	2 095 460	457 915
91 - 120 days	1 961 152	348 396
121 - 365+ days	93 650 281	10 845 992
	102 553 248	20 534 654
Fines		
Current (0 -30 days)	306	20 545
31 - 60 days	505	14 110
61 - 90 days	98	19 143
91 - 120 days	63	18 446
121 - 365+ days	8 478	1 177 761
	9 450	1 250 005
Industrial/ commercial		
Current (0 -30 days)	5 448 499	12 308 836
31 - 60 days	3 104 479	3 253 888
61 - 90 days	2 660 176	3 034 732
91 - 120 days	2 211 165	2 940 730
121 - 365+ days	97 853 932	109 194 472
Less: Allowance for impairment	(103 370 184)	(112 749 193)
	7 908 067	17 983 465
Residential		
Current (0 -30 days)	6 279 234	10 376 629
31 - 60 days	5 647 911	4 580 915
61 - 90 days	5 707 740	4 425 139
91 - 120 days	5 190 111	4 257 181
121 - 365+ days	206 899 922	163 390 372
Less: Allowance for impairment	(224 381 276)	(185 794 522)
	5 343 642	1 235 714

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Receivables from non-exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	11 439 394	18 261 225
31 - 60 days	9 651 731	8 693 447
61 - 90 days	9 606 600	8 579 673
91 - 120 days	9 421 163	8 533 976
121 - 365+ days	498 563 023	397 641 711
Less: Allowance for impairment	(449 380 375)	(440 394 556)
	89 301 536	1 315 476
Total		
Current (0 -30 days)	23 167 127	40 946 690
31 - 60 days	18 404 121	16 528 250
61 - 90 days	17 974 516	16 039 544
91 - 120 days	16 822 439	15 731 887
121 - 365+ days	803 315 866	670 226 554
Less: Allowance for impairment	(777 131 834)	(738 938 271)
	102 552 235	20 534 654
Reconciliation of the total balance		
Property rates	102 552 785	20 534 654
Fines	9 450	1 250 006
	102 562 235	21 784 660

Statutory Receivables

Property rates and traffic fines disclosed under Receivables from non-exchanges transactions are Statutory Receivables in context of GRAP 108. 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. The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The Municipality has recognised property rates and traffic fines as statutory receivable using the Standard of GRAP 108 on Revenue from Non-exchange Transactions (Taxes and Transfers) as required by the paragraph .06 of the GRAP 23 on Statutory Receivables the transaction is a non-exchange transaction.

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the Municipality approved by Council.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National

Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Magistrate's Court in the City of Mahikeng. Subsequent measurement of traffic fines is primarily through guidance provided by National Legislation.

Property rates accrue interest at a rate approved annually by the Municipal Council through the budget process. The prevailing interest rate charged by the Municipality is incorporated within the Municipal Tariff Schedule gazette.

For significant impairment losses recognised the Municipality is required by GRAP 10 paragraph 8 to disclose the main events and circumstances that led to the recognition of impairment losses. The Municipality's statutory receivables from receivables from non-exchange transactions property rates constitutes a significant proportion of the impairment loss allocation. As at 30 June 2022 more than 75% of Receivables from non-exchange transactions – Property rates were being owed for over a year which means they were on 202006+ (Over 1 Year) on the age analysis. This was identified as one of the indicators of the poor performance of the debtors' book as payment profiles of consumers deteriorated through increasing defaults.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

8. Receivables from non-exchange transactions (continued)

The Municipality considered the payment profile of consumers with reference to latest payment date as one of the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period. The following were also taken into account:

- Nature of the consumer with regards to whether accounts were active or inactive
- For residential properties whether accounts were designated indigent or not
- Categorisation of non-indigent households, businesses, and government

The Municipality held no collateral, which may include financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over Statutory Receivables from non-exchange transactions.

The allowance for impairment relating to fines was derived after considering the recovery rate of fines for the current and past two year. The average recovery rate for the 2022 period was estimated at 12.52%, the allowance being at 87.48%.

Receivables from non-exchange transactions constituting statutory receivables that are past due at the reporting, and which have been impaired are those excluding those noted below as past due but not impaired.

Reason for the material increase on the statutory receivables (receivables from non-exchange transactions) is as a result of the application of GRAP 108 which requires the identification of individually significant debtors and assessing impairment based on the individual debtor's expected cashflow. As a result of assessing impairment based on the individual debtor's expected cashflow which mainly related to government accounts, the impairment was less than the previous period resulting in a much higher carrying amount.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022 R 23 167 127 (2021: R 40 964 690) were past due but not impaired.

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

1 month past due	23 167 127	40 964 690
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9. Receivables from exchange transactions

Gross balances

Water	840 149 887	714 038 984
Sewerage	205 324 503	178 859 492
Refuse	193 013 073	167 267 258
Other (Sundry charges, Interest, VAT)	186 184 364	187 373 947
	1 424 671 827	1 247 539 681

Less: Allowance for impairment

Water	(794 744 584)	(687 700 731)
Sewerage	(195 312 040)	(169 139 135)
Refuse	(183 580 557)	(163 002 753)
Other (Sundry charges, Interest, VAT)	(180 080 165)	(178 776 841)
	(1 353 717 346)	(1 198 619 460)

Carrying Amount

Water	45 405 303	26 338 253
Sewerage	10 012 463	9 720 357
Refuse	9 432 516	4 264 505
Other (Sundry charges, Interest, VAT)	6 104 199	8 597 106
	70 954 481	48 920 221

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. Receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	1 135 238	7 870 616
31 - 60 days	872 894	1 748 144
61 - 90 days	931 813	1 488 132
91 - 120 days	1 004 581	788 761
121 - 365 days	41 460 777	14 442 600
	45 405 303	26 338 253
Sewerage		
Current (0 -30 days)	259 522	3 108 921
31 - 60 days	221 815	601 744
61 - 90 days	193 648	492 859
91 - 120 days	183 904	306 688
121 - 365 days	9 153 574	5 210 145
	10 012 463	9 720 357
Refuse		
Current (0 -30 days)	234 802	2 303 370
31 - 60 days	206 359	510 862
61 - 90 days	190 085	415 960
91 - 120 days	183 234	368 582
121 - 365 days	8 618 036	665 731
	9 432 516	4 264 505
Other		
Current (0 -30 days)	157 052	8 385 276
31 - 60 days	9 524	3 912
61 - 90 days	27 719	13 071
91 - 120 days	16 074	7 662
121 - 365 days	5 893 830	187 185
	6 104 199	8 597 106

Mahikeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. Receivables from exchange transactions (continued)		
Summary of consumer receivables by customer classification		
Consumers		
Current (0 -30 days)	18 051 609	42 836 016
31 - 60 days	15 735 399	16 341 138
61 - 90 days	17 485 118	17 371 727
91 - 120 days	17 189 697	16 189 892
121 - 365 days	954 600 002	808 926 115
	1 023 061 825	901 664 888
Less: Allowance for impairment	(1 011 162 131)	(863 679 297)
	11 899 694	37 985 591
Industrial/ commercial		
Current (0 -30 days)	5 398 567	14 117 169
31 - 60 days	2 567 663	4 893 935
61 - 90 days	2 759 810	5 649 730
91 - 120 days	1 947 447	6 682 951
121 - 365 days	99 351 497	242 215 291
	112 024 984	273 559 076
Less: Allowance for impairment	(105 158 008)	(270 663 301)
	6 866 976	2 895 775
National and provincial government		
Current (0 -30 days)	9 816 400	9 220 319
31 - 60 days	6 752 439	2 677 331
61 - 90 days	5 237 291	2 538 918
91 - 120 days	7 194 043	1 969 801
121 - 365 days	253 628 171	55 909 347
	282 628 344	72 315 716
Less: Allowance for impairment	(237 397 207)	(64 276 864)
	45 231 137	8 038 852
Total		
Current (0 -30 days)	33 266 575	66 173 504
31 - 60 days	25 055 500	23 912 404
61 - 90 days	25 482 219	25 560 376
91 - 120 days	26 331 187	24 842 645
121 - 365 days	1 314 536 346	1 107 050 753
	1 424 671 827	1 247 539 682
Less: Allowance for impairment	(1 353 717 346)	(1 198 619 462)
	70 954 481	48 920 220

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2022, R 33 266 575 (2021: R 66 173 504) were past due but not impaired.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17	17
Bank balances	22 133 080	40 948 079
	22 133 097	40 948 096

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Cash and cash equivalents (continued)

The short term investment with VBS Mutual Bank of R83 440 312.06 had been impaired due to recoverability of the amount being put in doubt. The bank has been put under curatorship and the deposits by municipalities held by the bank were not honoured as only natural people were to receive their deposits.

During the 2021-22 financial years the curators refunded R5 948 284.51 of the amount invested to the municipality. The short term investment as adjusted for this refund is now R77 492 027.50. The uncertainty relating to the recoverability of the balance of the deposit remains. The municipality therefore reduced the impairment on the deposit at VBS bank by R5 948 284.51 to R77 492 027.50.

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Current Account - Account number 30852595	8 297 007	1 989 288	1 019 401	10 416 224	4 108 504	3 138 615
Standard Bank - Call Account - 238650863/037	8 701	144	144	8 701	144	144
Standard Bank - Call Account - 238650863/025	1 311	1 311	1 311	1 311	1 311	1 311
Standard Bank - Call Account - 238650863 - 036	3 747 267	365 704	4 350 446	3 747 267	365 704	4 350 446
Standard Bank - Call Account - 238650863/038	135	135	135	135	135	135
Standard Bank - Call Account - 238650863/039	7 216 724	11 750 785	3 410 971	7 216 724	11 750 785	3 410 971
Nedbank - Call Account - 03/7881120835/000001	149 683	144 422	139 857	149 683	144 422	139 858
Standard Bank - Call Account - 238650863/040	277 797	24 273 024	4 099 717	277 797	24 273 024	4 099 718
ABSA Bank - Call Account - 4071943748	-	-	(8 264)	-	-	(8 264)
ABSA- Fixed D-2049151018	73 074	70 611	68 351	73 074	70 611	68 351
ABSA-NOT 9064617006	41 334	40 996	40 756	41 334	40 996	40 756
ABSA - 20-5333-3573	11 369	10 858	10 108	11 369	10 858	10 108
ABSA - 20-5333-4163	11 369	10 858	10 108	11 369	10 858	10 108
ABSA - 20-5324-6724	59 313	57 032	53 112	59 313	57 032	53 112
ABSA - 20-5622-0905	14 115	13 539	12 787	14 115	13 539	12 787
ABSA - 20-7942-8427	1 019	1 000	-	1 019	1 000	-
ABSA - 20-8001-7453	4 490	-	-	4 490	-	-
First National Bank 710390511164	99 156	99 156	99 156	99 156	99 156	92 238
Total	20 013 864	38 828 863	13 308 096	22 133 081	40 948 079	15 420 394

The reconciling items at year end is the difference between the amount as per the bank statements and the amount on the general ledger of R 2 119 234 (2021: R 2 119 234).

VBS reconciliation	Amount as bank statement - 30 June 2018	Amount recovered	Amount impaired	Total
VBS Mutual Bank - 658308001	83 440 312	(5 948 285)	(77 492 027)	-
VBS Mutual Bank - 658308001 reconciliation			Amount	Total
Amount invested – 30 June 2018			83 440 312	83 440 312
Amount recovered – 2021/22			(5 948 285)	(5 948 285)
Balance of investment			77 492 027	77 492 027
			77 492 027	77 492 027
VBS Mutual Bank - 658308001 reconciliation(Continues)			Amount	Total
Amount previously impaired			83 440 312	83 440 312
Adjustment to impairment			(5 948 285)	(5 948 285)
Adjusted impairment provision			77 492 027	77 492 027
			77 492 027	77 492 027

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Prepayments		
Prepayments consist of the salga prepayment for the prior year and in the current year prepayment for a truck.		
12. Financial liabilities - Loans		
At amortised cost		
INCA Loan - Non Current Liabilities Loan, Acc No: MAFI-00-0001/ Deal no. 118115, carry interest at 12.78% per annum repayable over a period of 20 years. This loan was used to fund the municipality's infrastructure assets. The loan is secured by the municipality's income from assessment rates.	-	3 750 000
INCA Loan - Current Liabilities Loan, Acc No: MAFI-00-0001/ Deal no. 118115, carry interest at 12.78% per annum repayable over a period of 20 years. This loan was used to fund the municipality's infrastructure assets. The loan is secured by the municipality's income from assessment rates.	-	7 500 000
	-	11 250 000
Total other financial liabilities	-	11 250 000
Non-current liabilities		
At amortised cost	-	3 750 000
Current liabilities		
At amortised cost	-	7 500 000

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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13. Provisions

Reconciliation of provisions - June 2022

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill site	129 057 717	21 943 136	151 000 853

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation- Landfill site	117 612 937	11 444 780	129 057 717

Environmental rehabilitation - Landfill Site

The provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF).

The following assumptions were made to provide an estimation of the rehabilitation site:

- Minimal shaping of the existing waste body.
- The rate for the 300mm confining layer is based on the assumption that all the material can be sourced from on-site sources.
- The rate for the 100mm topsoil layer is based on the assumption that all the material can be sourced from on-site sources.
- It is assumed that the footprint that requires rehabilitation as described and indicated above is correct as verified by the local authority.
- It was assumed that insufficient volumes of the required quality clayey material would be available for the capping layers. As a result, it was replaced with Geosynthetic Clay Liner in the estimate.
- It was assumed that insufficient gas will be generated to warrant the installation of a gas management system and the cost thereof is not included in this estimate.
- Escalation for post-closure cost used: 5.18%, which is the average CPI June to June over the past 10 years
- Discount rates for post-closure costs based on Government Bond Yield Rates as at 30 June 2022:
 - 25 year: 11.625%
 - 30 year: 11.575%

The remaining site life as at 30 June 2022 is 19 years.

The report was compiled by JPCE (Pty) Ltd specialists consulting engineers. The consultants have qualifications in engineering and are members of the consulting engineers of South Africa.

The following have an effect on the cost estimate:

Various material rates have increased due to a revised approach in terms of construction rate determination as described in Section 1.2 of this report. The biggest impact on the estimates are the rates for importation of sand from commercial sources (82 to 85% increase per m³ vs. 2020) and importation of topsoil from commercial sources (50% increase per m³ vs. 2020)

Mahikeng Local Municipality

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Figures in Rand

2022

2021

13. Provisions (continued)

Increase in Engineering fees based on ECSA fees scales as published 2022

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events. '

Years	Escalated monitoring costs (Gas included for only 2 years after closure.)	Years until	Current value
2047	R 123 344.84	25	R 7 890.13
2048	R 123 344.84	26	R 7 451.91
2049	R 112 993.32	27	R 5 829.00
2050	R 112 993.32	28	R 5 507.23
2051	R 112 993.32	29	R 5 204.16
2052	R 112 993.32	30	R 4 918.64
2053	R 112 993.32	31	R 4 636.73
2054	R 112 993.32	32	R 4 370.97
2055	R 112 993.32	33	R 4 120.45
2056	R 112 993.32	34	R 3 884.28
2057	R 112 993.32	35	R 3 661.65
2058	R 112 993.32	36	R 3 451.78
2059	R 112 993.32	37	R 3 253.94
2060	R 112 993.32	38	R 3 067.44
2061	R 112 993.32	39	R 2 891.62
2062	R 112 993.32	40	R 2 725.89
2063	R 112 993.32	41	R 2 569.65
2064	R 112 993.32	42	R 2 422.37
2065	R 112 993.32	43	R 2 283.53
2066	R 112 993.32	44	R 2 152.65
2067	R 112 993.32	45	R 2 029.27
2068	R 112 993.32	46	R 1 912.96
2069	R 112 993.32	47	R 1 803.32
2070	R 112 993.32	48	R 1 699.96
2071	R 112 993.32	49	R 1 602.52
2072	R 112 993.32	50	R 1 510.67
2073	R 112 993.32	51	R 1 424.09
2074	R 112 993.32	52	R 1 342.47
2075	R 112 993.32	53	R 1 265.52
2076	R 112 993.32	54	R 1 192.99
Total	-		R 98 077.79

14. Trade payables from exchange

Trade payables	292 008 014	334 476 227
Accrued leave pay	28 710 769	29 212 560
Thirteenth Cheque Accrual	6 436 539	5 692 890
Retention	14 797 923	13 835 445
Unallocated deposits	16 445 660	14 276 832
Advance payments	43 717 526	32 985 455
	402 116 431	430 479 409

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
15. VAT payable		
VAT payable	34 282 077	17 132 956
16. Consumer deposits		
Other deposits	7 130 587	5 987 191
Water	6 283 925	5 603 535
	13 414 512	11 590 726

Other deposit consists of the following:

- Building deposit
- Rental of properties
- Posters
- Street closure
- Valuation appeal
- Way leave
- Building plans

17. Revenue

Service charges	246 138 700	247 375 813
Rental of facilities and equipment	8 260 843	7 593 573
Interest received (trading)	100 616 261	57 322 845
Licences and permits	1 898 176	2 959 950
Fees earned	6 294 204	6 168 814
Other income	15 984 525	13 557 226
Interest received - investment	4 588 450	6 225 438
Property rates	332 898 910	301 731 443
Government grants & subsidies	393 729 000	455 461 949
Fines, Penalties and Forfeits	815 835	820 567
	1 111 224 904	1 099 217 618

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

Service charges	246 138 700	247 375 813
Rental of facilities and equipment	8 260 843	7 593 573
Interest received (trading)	100 616 261	57 322 845
Licences and permits	1 898 176	2 959 950
Fees earned	6 294 204	6 168 814
Other income	15 984 525	13 557 226
Interest received - investment	4 588 450	6 225 438
	383 781 159	341 203 659

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

Taxation revenue		
Property rates	332 898 910	301 731 443
Transfer revenue		
Government grants & subsidies	393 729 000	455 461 949
Fines, Penalties and Forfeits	815 835	820 567
	727 443 745	758 013 959

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
18. Service charges		
Consumption – Water Management	152 711 054	158 881 379
Consumption – Waste Water Management	49 314 667	46 529 511
Consumption – Waste Management	44 112 979	41 964 923
	246 138 700	247 375 813

Mafikeng Local Municipality does not provide electricity to the public. Therefore there is no line item of electricity part of service charges.

19. Rental of facilities and equipment

Premises

Facilities and equipment	8 260 843	7 593 573
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The Municipality has rights to properties, plant and equipment which are rented out to the public on a needs basis. These include Municipal parks, halls, vacant properties and movable assets.

20. Investment revenue

Interest revenue

Interest earned (bank and investment accounts)	4 588 450	6 225 438
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21. Property rates

Rates received

Residential, Business and Government	394 005 052	361 926 738
Less: Income forgone	(61 106 142)	(60 195 295)
	332 898 910	301 731 443

All tariffs used by the municipality have been Approved for implementation in the 2020-21 MTREF. Please note all tariffs are exclusive of value added tax as property rates are exempt from VAT.

Valuations

Valuations on land and buildings are performed every 5 years. The applicable General Valuation came into effect on 1 July 2017 and will remain valid until 30 June 2022. It is based on market-related values. Property valuation adjustments, such as supplementary valuations, objection valuations and Valuation Appeal Board decisions are processed continuously.

Municipal rates are levied on a monthly basis in terms of the provisions of the rates policy, which makes provision for rebates and exemptions.

The valuation roll was prepared by a registered valuer and discharged their duties as municipal valuer and as such complied with Sections 43 and 44 of the Local Government: Municipal Property Rates Act, 2004.

Valuer information: Hendrik Coenraad Botha

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Government grants and subsidies		
Operating grants		
Equitable share (EQ)	302 733 000	337 618 000
Expanded Public Works Programme Grant (EPWP)	1 595 000	3 324 000
Library Grant (LG)	1 622 000	1 437 000
Finance Management Grant (FMG)	3 100 000	3 000 000
Construction Education Training Authority Grant (CETA)	-	629 838
	309 050 000	346 008 838
Capital grants		
Municipal Infrastructure Grant (MIG)	84 679 000	94 833 000
Provincial Infrastructure Grant (PIG)	-	7 120 111
Electricity Demand Management (EDM)	-	7 500 000
	84 679 000	109 453 111
	393 729 000	455 461 949

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of the municipality's operations.

All registered indigents receive a monthly subsidy of 6 kilolitres of water per month which is funded from the grant.

Equitable share consists of R 292 733 000 from National Treasury and R 10 000 000 from Ngaka Modiri Molema.

Municipal Infrastructure Grant (MIG)

Current-year receipts	84 679 000	94 833 000
Conditions met - transferred to revenue	(84 679 000)	(94 833 000)
	-	-

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

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	780 730
Current-year receipts	1 595 000	3 324 000
Conditions met - transferred to revenue	(1 595 000)	(3 324 000)
Other	-	(780 730)
	-	-

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

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure);
- Other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification;
- Sustainable land-based livelihoods; social services programmes;
- Health service programmes; and community safety programmes.

Mahikeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Government grants and subsidies (continued)		
Library Grant (LG)		
Current-year receipts	1 622 000	1 437 000
Conditions met - transferred to revenue	(1 622 000)	(1 437 000)
	-	-

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

The grant is used to transform urban and rural community library infrastructure, facilities and services(primarily targeting previously disadvantaged communities).

Finance Management Grant (FMG)

Current-year receipts	3 100 000	3 000 000
Conditions met - transferred to revenue	(3 100 000)	(3 000 000)
	-	-

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the Municipal Finance Management Act and progressive financial reporting.

Construction Education Training Authority Grant(CETA)

Balance unspent at beginning of year	-	149 956
Current-year receipts	-	479 882
Conditions met - transferred to revenue	-	(629 838)
	-	-

The grant is meant to assist the municipality in the improvement of system related transactions.

Provincial Infrastructure Grant

Current-year receipts	-	7 120 111
Conditions met - transferred to revenue	-	(7 120 111)
	-	-

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

Electricity Demand Management Grant (EDMG)

Current-year receipts	-	7 500 000
Conditions met - transferred to revenue	-	(7 500 000)
	-	-

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

This fund has been granted by the Department of Energy to the municipality to be used in electricity efficiency usage programme.

Municipal Disaster Relief Grant

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

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Employee related costs		
Basic	196 016 532	190 967 524
Bonus	16 746 535	14 678 786
Medical aid - company contributions	13 607 717	13 019 879
UIF	1 478 179	1 296 425
SDL	2 840 878	2 114 574
Leave pay provision charge	9 100 079	7 310 747
Post retirement benefit	(10 446 000)	52 787 983
Overtime payments	21 481 052	17 315 178
Allowance locomotion	18 309 651	17 558 907
Housing benefits and allowances	3 186 137	3 501 042
Pension funds	49 053 282	49 706 004
Other	15 822 345	15 276 651
	337 196 387	385 533 700

+ - This balance consists of movement in defined benefit obligation and pension paid during the year.

Remuneration of the Municipal Manager (Status: Municipal Manager - MR N M Mokgwamme)

Annual Remuneration	907 082	907 159
Car Allowance	339 497	314 261
Other	361 159	360 245
	1 607 738	1 581 665

Remuneration of the Chief Financial Officer (Status: CFO - Mr R A Morris)

Annual Remuneration	1 280 020	1 225 062
Car Allowance	69 562	66 900
Other	156 110	156 000
	1 505 692	1 447 962

Remuneration of the Public Safety Director (Status: Director- Mr T J Marumo)

Annual Remuneration	848 526	848 526
Car Allowance	225 668	223 249
Other	253 064	252 703
	1 327 258	1 324 478

Remuneration of the Corporate service Director (Status: Director - Mrs Z K Masuku)

Annual Remuneration	943 701	943 774
Car Allowance	117 084	105 822
Other	471 753	471 062
	1 532 538	1 520 658

Remuneration of the Planning and Development Services Director (Status: Director-MR T Masia)

Annual Remuneration	833 814	833 888
Car Allowance	231 937	234 327
Other	261 546	261 406
	1 327 297	1 329 621

Remuneration of the Chief Financial Officer (Status: Acting CFO- Ms T Modisa)

Acting allowance	57 895	-
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Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Employee related costs (continued)		
Remuneration of the Infrastructure Service Director (Status: Director- Mrs M Moloi-Tsae)		
Annual Remuneration	914 959	972 110
Car Allowance	257 169	260 593
Other	289 139	289 020
	1 461 267	1 521 723
Remuneration of the Community Service Director (Status: Director-MRS K P NYEMBE)		
Annual Remuneration	847 787	847 787
Car Allowance	228 723	222 824
Other	254 117	254 287
	1 330 627	1 324 898
Remuneration of the Corporate service Director (Status: Acting Director - Ms K J Lekoma)		
Annual Remuneration	-	11 000
24. Remuneration of councillors		
Executive Major	917 580	938 250
Mayoral Committee Members	6 400 567	7 882 839
Speaker	745 239	759 478
Councillors	19 648 785	18 965 669
Chief Whip	702 784	714 787
	28 414 955	29 261 023

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time and are provided with office space at the cost of the Council. In addition, they are paid travelling allowances for the trips outside Mahikeng. The Executive Mayor, Speaker, Chief Whip of Council are also provided with secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts bodyguard.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.		
25. Depreciation and amortisation		
Property, plant and equipment	74 581 135	70 512 738
Intangible assets	313 788	321 067
	74 894 923	70 833 805
26. Interest Paid		
Other interest incurred	907 713	178 062
27. Debt impairment		
Contributions to debt impairment provision	194 950 703	319 888 902
28. Bulk purchases		
Water	69 198 699	75 923 027
29. Contracted services		
Call Centre	5 918 546	6 056 013
Security Services	28 316 318	23 968 964
	34 234 864	30 024 977

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. General expenses		
Advertising	2 508 093	905 402
Auditors remuneration	6 117 404	10 144 884
Bank charges	980 855	362 379
Catering services	898 507	124 898
Assets less than the Capitalisation Threshold	2 460 236	-
Computer Services	5 397 974	3 656 484
Electricity and Water	15 373 373	5 372 131
Entertainment	361 126	163 365
Hire	3 050 841	1 193 373
Insurance	2 769 415	1 845 920
Inventory expenditure	34 534 149	16 799 899
Learnerships and Internships	-	634 579
Legal Advice and Litigation	19 616 634	12 006 159
Licenses and permits	481 347	411 283
Refuse Removal	1 972 500	1 868 200
Meter reading	2 127 616	2 070 320
Motor vehicle expenses	483 808	723 961
Indigent Relief	131 550	111 061
Postage and courier	899 970	632 571
Animal Care	1 176 000	791 032
Printing and publications	464 372	29 680
Professional Fees	54 199 249	57 525 525
Protective clothing	2 558 250	1 248 506
Provisions - Landfill site	21 943 136	11 444 781
Membership and subscription	3 181 056	3 569 939
Telephone and fax	1 436 611	1 867 654
Deeds	56 398	33 603
Workmen's Compensation Fund	-	1 129 811
Housing Assistance	6 498 587	4 590 150
Travel and Subsistence	2 575 758	911 588
Other expenditure	318 961	432 063
	194 573 776	142 601 201

* - This means there was a prior year adjustment done on the balance or transaction

Mahikeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Cash generated from operations		
Surplus (deficit)	172 980 321	(95 444 481)
Adjustments for:		
Correction of Error	35 557 008	91 705 736
Depreciation and amortisation	74 894 923	70 512 738
Amortisation of intangible assets	-	321 067
Profit or loss on disposal of assets	1 791 127	46 483 366
Increase / Decrease in fair valude adjustment on Investment Property	(38 784 940)	63 535 000
Debt impairment	194 950 703	-
Movement in provisions - Landfill Site	21 943 136	11 444 780
Movement in Employee benefit obligation	(57 624 000)	3 516 000
Movement in Leave	-	1 435 204
Movement in 13th Cheque Accrual	-	473 080
Movement in Provision for bad debts	-	124 795 683
Movement in Provision for bad debts (Fines)	-	696 499
Movement in Provision for bad debts (Services Charges)	-	194 396 718
Changes in working capital:		
Invenstories	1 276 557	(30 168 813)
Movement in Gross Debtors (Fines)	-	(435 800)
Movement in Gross Debtors (Services Charges)	-	(113 984 221)
Movement in payables from exchange transactions	-	(174 977 222)
Movement in inventory	-	(881 669)
Movement in Consumer Deposits	-	388 754
Movement in prepayments	-	(6 124)
Movement in Conditional Grants and Receipts	-	(930 686)
Movement in VAT	-	(12 141 451)
Receivables from non exchange transactions	(80 777 575)	-
Receivables from exchange transactions	(216 453 422)	-
Payables from exchange transactions	(10 212 072)	-
	99 541 766	180 734 158

Mahikeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
32. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Roads	40 724 036	45 199 849
• Recreational facilities	14 787 063	13 127 722
• High Mast	25 909 832	5 986 350
• Community Buildings	12 172 115	12 612 784
• Bridges	1 082 188	1 082 188
	94 675 234	78 008 893
Total capital commitments		
Already contracted for but not provided for	94 675 234	78 008 893
Total commitments		
Total commitments		
Authorised capital expenditure	94 675 234	78 008 893

This committed expenditure relates to property and will be financed by externally generated funds being the Municipal Infrastructure Grant and the Electricity Demand Management Grant as per DORA allocations.

Current year Commitments - 2022

MIS/283234/17/19	UPGRADING OF BRIDGES IN MADIBE MAKGABE MODIMOLE
MIG/NW/1912/R,ST/14/15	PROVISION OF THEMBANE ROAD
MIG/NW/2548/SP/19/20	UPGRADING OF MMABATHO TENNIS COURT FACILITIES PHASE 1 & 2
MIG/NW/2546/RST/19/20	UPGRADING LOMANYANENG POLICE STATION ROAD
MIG/NW/2545/CF/19/20	UPGRADING OF MATLALONG GRAVEYARD (FENCING) FOR 2019/20 FINANCIAL YEAR: PHASE 11
MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 1)
MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 2)
MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 3)
SCM/MLM05/10/2015	PROVISION OF COMMUNITY CENTRE IN WARD 26
SCM/MLM06/10/2015	PROVISION OF MULTI PURPOSE CENTRE IN WARD 29/ WARD 32
SCM/MLM01/09/2016	CONSTRUCTION OF LOTLHAKANE MULTI PURPOSE SPORTS FIELD
MIG/NW/2461/R/17/18	UPGRADING OF ROAD IN MOSHAWANE
MIG/NW/2640/R/17/18	UPGRADING OF TSETSE MAIN ROAD IN WARD 4
MIG/NW/1462/SP/12/13	UPGRADING OF DANVILLE STADIUM
MIG/NW/2547/CL/19/20	THE PROVISION OF HIGH MAST LIGHTS IN VARIOUS WARDS
MIG/NW/2069/CL/15/16	PROVISION OF HIGH MAST LIGHTS IN WARD 21, 24 25,28 & 31.
SCM/MLM13/10/2018	PROVISION OF HIGH MAST LIGHTS (AFRICA RELATED MO ELECT. ENG.)
MIG/NW/1393/R/11/12	UPGRADING OF ROADS IN LOTLHAKANE VILLAGE TO RAPULANA CLINIC
SCM/MLM 39/05/2020	UPGRADING OF ROAD IN MAGOGOE VILLAGE TO PAVED ROAD IN WARD 14
SCM/MLM 36/02/2020	UPGRADING OF A ROAD FROM TLOUNG VILLAGE TO BOKONE VILLAGE TO PAVED ROAD IN W,
SCM/MLM 37/05/2020	UPGRADING OF ROADS IN SIGNAL HILL TO PAVED ROAD IN WARD 28
SCM/MLM 05/07/2021	UPGRADING OF INTERCONNECTOR ROAD IN SETLOPO SA BOSIGO
SCM/MLM 06/07/2021	UPGRADING OF MASUTLHE BUS ROUTE FROM GRAVEL TO BLOCK PAVING
SCM/MLM 42/09/2021	UPGRADING OF DANVILLE STADIUM PHASE 02
SCM/MLM 35/09/2021	PROVISION OF 80 HIGH MAST LIGHTS, 30M 6 X 400W LED IN ALL 35 WARDS
MIG/NW/2764CF/21/22	COMPLETION OF A MULTIPURPOSE CENTRE IN WARD 25 (GELUKSPAN) - PHASE 11

Prior year Commitments - 2021

MIG/NW/2434//CL/17/18	SUPPLY, DELIVERY AND INSTALLATION OF HIGH MAST LIGHT IN WARD 1,2,8,26 & 33.
MIS/283234/17/19	UPGRADING OF BRIDGES IN MADIBE MAKGABE MODIMOLE
MIG/NW/1912/R,ST/14/15	PROVISION OF THEMBANE ROAD
MIG/NW/2548/SP/19/20	UPGRADING OF MMABATHO TENNIS COURT FACILITIES PHASE 1 & 2
MIG/NW/2546/RST/19/20	UPGRADING LOMANYANENG POLICE STATION ROAD
MIG/NW/2545/CF/19/20	UPGRADING OF MATLALONG GRAVEYARD (FENCING) FOR 2019/20 FINANCIAL YEAR: PHASE 11
MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 1)
MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 2)

Mahikeng Local Municipality

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32. Commitments (continued)

MIG/NW/2370/17/18	UPGRADING OF LANDFILL SITE (PHASE 3)
SCM/MLM05/10/2015	PROVISION OF COMMUNITY CENTRE IN WARD 26
SCM/MLM06/10/2015	PROVISION OF MULTI PURPOSE CENTRE IN WARD 29
SCM/MLM01/09/2016	CONSTRUCTION OF LOTLHAKANE MULTI PURPOSE SPORTS FIELD
MIG/NW/2461/R/17/18	UPGRADING OF ROAD IN MOSHAWANE
MIG/NW/2640/R/17/18	UPGRADING OF TSETSE MAIN ROAD IN WARD 4
MIG/NW1462/SP/12/13	UPGRADING OF DANVILLE STADIUM
MIG/NW/2547/CL/19/20	THE PROVISION OF HIGH MAST LIGHTS IN VARIOUS WARDS
MIG/NW/2069/CL/15/16	PROVISION OF HIGH MAST LIGHTS IN WARD 21, 24 25,28 & 31.
SCM/MLM13/10/2018	PROVISION OF HIGH MAST LIGHTS (AFRICA RELATED MO ELECT. ENG.)
MIG/NW/1393/R/11/12	UPGRADING OF ROADS IN LOTLHAKANE VILLAGE TO RAPULANA CLINIC
SCM/MLM 39/05/2020	UPGRADING OF ROAD IN MAGOGOE VILLAGE TO PAVED ROAD IN WARD 14
SCM/MLM 36/02/2020	UPGRADING OF A ROAD FROM TLOUNG VILLAGE TO BOKONE VILLAGE TO PAVED ROAD IN WAR
SCM/MLM 37/05/2020	UPGRADING OF ROADS IN SIGNAL HILL TO PAVED ROAD IN WARD 28
SCM/MLM07/07/2019	SUPPLY AND DELIVERY OF ROADS BINDERS, SLURRY SEAL, PRE-MIX APHALT, ROAD AGGEGATE

Mahikeng Local Municipality

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33. Contingencies (Assets and Liabilities)

Contingent Liabilities

Service providers cases	7 390 492	7 677 459
Property losses/ damages cases	1 007 449	4 056 555
Labour cases	1 732 773	-
Others	1 017 016 716	9 277 529
	1 027 147 430	21 011 543

Prior period correction

	Amount as per signed Annual Financial Statements	Correction	Amount restated
Service providers cases	8 532 042	(854 583)	7 677 459
Property losses/ damages cases	3 104 106	952 449	4 056 555
Others	9 197 529	80 000	9 277 529
	20 833 677	177 866	21 011 543

Mahikeng Local Municipality

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33. Contingencies (Assets and Liabilities) (continued)

Current year cases

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19)

Service providers cases

MLM / Tedcor Domestic waste collection services for and on behalf of Municipality within its area of jurisdiction Claim amount R 2 312 393,40

MLM / Hundred percent black stone supply and projects Application to review and set aside appointment of black stone

MLM / Hundred percent black stone supply and projects 2Application to review and set aside appointment of black stone Claim Amount R 546 000,00

MLM / Tholoana Investment Claim of outstanding invoices amounting to R 1 670 832,00

MLM / Isilungo business enterprise To connect electricity to the applicants property

MLM / SNPRP Security Services CCclaim for outstanding invoices amount to R 791 539,00

Property losses/ damages cases

MLM / KV MogalaClaim for damages or R 695 000,00

Labour cases

MLM / LL Dabula Labour (Disciplinary hearing) Acts of misconduct.

MLM and 2 others / Gregory Manqane & 29 others. Application by former employees to have rulling by the Arbitrator that their application was late to be set aside.

MLM / Dilotsotthe JusticeDeclaring unlawful and reviewing and setting aside the decision of the first respondent's council, to appoint the fifth respondednt as municipal manager.

MLM / Dabula Labour matter - Salary disperity case from date of appointment.

MLM / Makwetla & OthersApplication to set aside appointment of Director Corporate Services

MLM / Thabo Isaac Mokwena // SALGBC & OthersReview application brought by Mr Mokwena i.r.o Arbitration Award

MLM / MLM / SB PeleleApplication to review and set aside disciplinary finding

Others

MLM / Sebege Lavious Moralo and 108 others - Land dispute case against MLM

MLM / 1847/2008 PULE MOROBI// MLM Plaintiff is Pule Morobi instituted legal proceeding against Mahikeng Local Municipality for unlawful arrest and detention.

MLM / Department of Local Government and Human Settlements Unspent portion of tranches paid to the Municipality in previous years. Claim amount R 7 265 000,00

MLM / Eviction of illegal occupiers of community residential units (CRU) erf 8707 Ext 39Eviction and interdict of illegal occupants

MLM / Marang Estate Development Reg: M0320/CIVTo provide legal opinion on cancellation of sale of land

Mahikeng Local Municipality

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33. Contingencies (Assets and Liabilities) (continued)

MLM / MIAGRA PROPERTY DEVELOPMENT (PTY) LTD Arbitration – alleged breach of contract on a sale of land agreement

MLM / BRADFORD PARK INTERMODAL FACILITY DEVELOPMENT Requested legal services for planning, designing and implementation of the proposed Bradford Park intermodal and Taxi Holding facilities

MLM / Go Big Media CC // MLM Attorney: M. E Tlou Advising and terminate appointment of Go Big Media CC and set aside SLA

Prior period restatement

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19)

Property losses/ damages cases

Machete Masekela / MLM (Civil Matter) - R 20 000

T Motseko / MLM (Civil Matter) - R 20 000

KV Mogala/ Mahikeng Local Municipality Case No: 2042/2019 - R 312 448,93

Micheal Dipitso Matong/ Mafikeng Local Municipality M 1081/CIV - R 600 000

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19)

Others

Mahikeng Local Municipality/ Micheal Ncebo Gomono Case No: NW/MMB.RC 413/19 - R 80 000

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19) for Tedcor & Tholoana Investments court cases & Tsoga Developers was indebted to the municipality case has been reclassified and assessed under contingent assets

Mahikeng Local Municipality/ Tedcor Case No: 1161/2017 - R 450 000

Tholoana Investment// Mahikeng Local Municipality M151/2017 - R 510 997

Tsoga Developers PTY LTD/ Mahikeng Local Municipality Case No: 780/2021 - R 212 835

Mahikeng Local Municipality/ Kena Media - (R 2 028 416)

Contingent Assets

Indebted to the municipality

4 629 916

6 144 938

Other

676 529

-

5 306 445

6 144 938

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33. Contingencies (Assets and Liabilities) (continued)

Current year cases

This is an illegal Construction and Building matter/Land Use

MLM / Tebogo George Moncho Illegal Land Use Erf 4137, Ext 38 This is an Illegal Land Use matter. Defendants are operating a spaxa shop without the approval of the MLM.

MLM / Kelebogile Joyce Masaseng This is an application for illegal land use through an operation of illegal business operation without approval from the Municipality

MLM / Oarabile Daniel Taunyane & Kesenogile Dinah Taunyane This is an illegal building of boundary wall and alterations to the main house.

MLM / Matebesi Mantsi Jane & Traverse Consulting This is an illegal alteration of the existing structure.

MLM / Saloojee Rabiya Zuber Illegal construction of the outbuilding

MLM / John Nkomo Unlawful structure

MLM / Ayob's Hardware Midnight Storm Investments is an illegal building and alterations to the existing structure.

MLM / Nzonza Royi John This is an application for illegal building of boundary wall.

MLM / Mmathapelo Motshwane Illegal and unauthorized building

MLM / Motlhale William Kgosimoruti & Kgatlitha Trading cc Illegal use of land – Application to Demolish

MLM / Faheem Investments Unauthorised building

MLM / M. A Maditse Illegal construction – boundary wall

MLM / Jose Serrao Gouveia – Alpha Mega Centre Illegal Construction - without approved plans

MLM / Gilbert Mmutle Bosigo Illegal Construction - without approved plans

MLM / Seakanyo Mabel Magwetyana Illegal building

MLM / Mandu Ntuli This application deals with the illegal alteration and building of boundary wall.

MLM / Alcaster Bernard Isaac This application deals with the illegal building of boundary wall.

MLM / Rodney Abram & Ingrid Semakaleng Toka This application deals with the illegal building of the out buildings.

MLM / E. Tauetsile Illegal construction and erection of the boundary wall

MLM / Mamorena Evelyn Lehoko Illegal building alterations without approved plans

MLM / Zulu Raymond Siphon Illegal construction of outbuildings

MLM / Ramokopelwa Bafiti Emmanuel This application deals with the illegal construction and alteration to the main structure.

MLM / Kgang Dikeledi Margaret This application deals with illegal construction and alteration of the existing structure.

MLM / Gladys Khatshane Maruping Illegal construction and erection of building structure without building plans.

MLM / P. Teles Illegal construction and alterations of building and failure to submit building plans.

MLM / Christinah Semakaleng Kgosiemang Illegal construction and alteration of building and failure to submit building plans

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33. Contingencies (Assets and Liabilities) (continued)

MLM / Lorna Heyman Illegal construction of a building structure

MLM / Nomsa Marengwa Illegal erection of boundary wall.

MLM / Kedibone Sarah Molehabangwe Illegal construction of a building structure

MLM / Simon Obakeng Wechoemang Illegal construction of a building

MLM / Leona Sharon Bosch Illegal building alterations and extensions.

MLM / Elmijack Investments Pty Ltd Unlawful construction of outbuilding.

MLM / The Property Owner/Occupant Illegal construction of building

MLM / Keoagile Nomabongo Chaka Illegal construction of a building.

MLM / The Occupant Illegal construction of a building.

MLM / Makamola Simeon Kalaleso Illegal construction and alterations to the main building.

MLM / Bernard Gaohengwe Mosegedi Illegal building alterations and extension.

MLM / Johannes Gaobonewe Ntebele Illegal construction building and alteration

MLM / Moshoeshe Peter Tlamelo Illegal construction and alterations to the main structure

MLM / Motsamai Dipuo Edith Unauthorised building structure

MLM / Mogale Neo Margret Unauthorised outbuilding

MLM / M.Kelehetswe Illegal construction of the outbuilding

MLM / Lucas Sello Lelaka Illegal building alterations

MLM / Johannes & Mmamosebetsi Martha Mokawane Illegal alterations to the existing building

MLM / Moraloge Kesaleboga Violet Illegal building alterations

MLM / Noko Moruti Jafta Illegal construction of boundary wall.

MLM / Joseph & Charity Tsholofelo Voyi Illegal constructions and alterations to the main structure.

MLM / Sello Seekane Illegal alterations to the main building and construction of outbuilding.

MLM / Edgar Trevor Smith Illegal construction of boundary wall.

MLM / Christ The Healer of All Nations Illegal land use and illegal building.

MLM / Bhunu 1431 This matter deals with the illegal building of the structure.

MLM / Moshapo Mpho Rhoda This matter deals with the illegal building without submission of building plans

MLM / Khumalo Molefe This matter deals with illegal land use

MLM / Matthews Matlakala Irene This matter deals with the illegal land use.

MLM / Mmolawa M.P. Illegal land use.

MLM / Mareume R Thabo This matter deals with the illegal land use.

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33. Contingencies (Assets and Liabilities) (continued)

MLM / Makutle L.J & Makutle M.I This matter deals with the illegal land use.

MLM / L.S Kgosinyane Illegal construction of boundary wall.

Indebted to the municipality

MLM / Bophuthatswana Ministers Fraternal (BOMIFRA) Collection of arrear municipal services. Claim Amount R2 045 814,44

MLM / Kena Media Kena Media is indebted to Municipality Claim Amount R 2 028 416,00

MLM / VBS Mutual BANK Recovery of Investment bmo Liquidation proceedings

Other

MLM / Carewell properties Reversal of sale of Erf 6180 (Portion of Erf 6033) Purchser did not meet conditions as set out in the deed of transfer

MLM / MIKE ISMAEL BINAZIR // TSHIMOLOGO MOSOLODI & OTHERS Applicant granted Interim Interdict against members of the community utilising the park (a portion of ERF 809, Unit 2 Mahikeng). Respondents successfully defended same

MLM / EXPROPRIATION OF PORTION 29 OF FARM ZEEKOEVALLEI 83 JO (REMAINING EXTENT OF PORTION 13 OF THE FARM ZEEKOEVALLEI 83 JO) Expropriation Of Portion 29 Of Farm Zeekoevallei 83 Jo (Remaining Extent Of Portion 13 Of The Farm Zeekoevallei 83 JO) for the purpose of human settlement development and provisions for a site for Phakisang Primary School in Ottoshoop 294000

MLM / North West Gambling Board Objection to relocation of casino license by peer mount resorts from Mhaikeng to rustenburg

MLM / Sudden Impact Investments 85 Pty Ltd Reversal of sale of Erf 6034, Mafikeng

MLM / Michael Ncebo Gomono Monitory claim: Ncebo Michael Gomono is indebted to Municipality. Claim Amount R 382 529,12.

MLM / Ke a dira construction Upgrading of Danville Stadium tender was awarded to applicant but failed to execute its responsibilities within expected time frame: Project cost R 4 327 538,89

MLM / Mafikeng Councillors Interdict from processing payments of the respective amounts to the former Mahikeng local Municipality councillors

MLM / Kgadiete Mothusiemang Cornelius This is an illegal operation of business, wherein the property owner is in contravention of the Municipal by-law and SPUMA.

MLM / Clayton Virgil Harrison The property owner is operating an illegal business without proper authorization from the municipality.

MLM / Rudolf Van Der Wald This is a Rei Vindicatio application.

MLM / Mike Binaziris is an application to re transfer the land back from the Respondent to the Municipality in accordance with the term of the sale agreement.

MLM / Mr. Virgil Harrison (High Court) Illegal Business Operation

MLM // Mr Binazir Breach Of Conditions Contained In The Deed Of Transfer

Mahikeng Local Municipality

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34. Related parties

Relationships	
Accounting Officer	Mr NM Mokgwamme (Contract ended) ADV D I Mongwaketse(Newly appointed)
Chief Financial Officer	Mr RA Morris
Councillors	Refer to the general information page
Members of key management	Mr N M Mokgwamme Mr R A Morris Ms T Modisa Mr T J Marumo Mrs K P Nyembe Mr T Masia Ms M Moloi-Tsae Mrs Z K Masuku Mr M J Molamu Ms K J Lekoma

Related party transactions

Remuneration of management and councillors

The compensation of key management personnel and councillors is set out in note 23 and 24 to the Annual Financial Statements

Awards to close family members of persons in service of the state

The details listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulation 2005 that determines that the municipality must disclose particulars of any award of more than R2,000 to a person who is a spouse, child or parent of a person in service of the stste or has been in service of the stste in the previous twelve months.

Name of Person or entity	2022	2021
Baratan Trading and Projects	21 750	-
Kgetsu Ya Puo Business Consultants	335 002	1 037 053
Dikelellong Engineers and Projects	-	2 395 475
Ruloyds SA	54 740	-
	411 492	3 432 528

Baratan Trading and Projects

The spouse of Mrs. Nathaniel Mogomotsi Lefifi (Owner), Mr. Tholo Samuel Kgotlagomang is employed by Mahikeng Local Municipality

KKM Consulting Engineers

KK Molawa (Director) is employed at the North West Health Department

Ruloyds SA PTY LTD

Mosete Peter Tlhale (Director) was employed at Mahikeng Local Municipality in the past twelve months.

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35. Prior-year adjustments

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassification of comparatives had on the amounts disclosed in the annual financial statements, followed by a description of each of the individual prior period error with the amounts involved.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Inventories		16 993 095	-	16 993 095
Receivables from exchange transactions		59 807 063	(10 886 842)	48 920 221
Receivables from non-exchange transactions		16 503 176	5 281 484	21 784 660
Prepayment - SALGA		3 163 440	-	3 163 440
Cash and cash equivalents		40 948 096	-	40 948 096
Investment property		246 983 000	-	246 983 000
Property, plant and equipment	1	704 424 953	(693 230)	703 731 723
Intangible assets		762 759	(76 016)	686 743
Financial liabilities - Loans		(7 500 000)	-	(7 500 000)
Payables from exchange transactions		(482 859 633)	52 380 224	(430 479 409)
VAT payable		(13 826 813)	(3 306 143)	(17 132 956)
Consumer deposits		(11 590 726)	-	(11 590 726)
Employee benefit obligation		(3 413 000)	-	(3 413 000)
Financial liabilities - Loans		(3 750 000)	-	(3 750 000)
Employee benefit obligation		(337 696 000)	-	(337 696 000)
Provisions		(129 057 717)	-	(129 057 717)
Accumulated surplus		(1 099 891 693)	(15 912 466)	1 115 804 159
		-	26 787 011	26 787 011

Statement of financial performance

Mahikeng Local Municipality

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35. Prior-year adjustments (continued)				
2021				
	Note	As previously reported	Correction of error	Restated
Service charges		247 375 813	-	247 375 813
Rental of facilities and equipment		7 593 573	-	7 593 573
Interest income (Trading)		57 322 845	-	57 322 845
Licences and permits		2 959 950	-	2 959 950
Fees earned		6 168 814	-	6 168 814
Other income		13 557 226	-	13 557 226
Interest received - investment		6 225 438	-	6 225 438
Property rates		301 731 443	-	301 731 443
Government grants & subsidies		455 461 949	-	455 461 949
Fines, Penalties and Forfeits		820 567	-	820 567
Employee related costs		(385 533 700)	-	(385 533 700)
Remuneration of councillors		(29 261 023)	-	(29 261 023)
Depreciation and amortisation		(68 983 165)	(1 850 640)	(70 833 805)
Finance costs		(560 320)	382 258	(178 062)
Debt Impairment		(317 539 473)	(2 349 429)	(319 888 902)
Repairs and maintenance		(23 724 136)	527 535	(23 196 601)
Bulk purchases		(75 923 027)	-	(75 923 027)
Contracted services		(30 024 977)	-	(30 024 977)
General Expenses		(192 055 988)	49 454 787	(142 601 201)
Loss on disposal of assets and liabilities		(46 483 366)	-	(46 483 366)
Fair value adjustments		(63 535 000)	-	(63 535 000)
Assets/ Liabilities losses/write-downs		(7 202 433)	-	(7 202 433)
Surplus /(Deficit) for the year		(141 608 990)	46 164 511	(95 444 479)

Statement of Financial Position

The following prior period errors adjustments occurred:

Inventory

Receivables from exchange transactions

Other receivables – Gross Value

During our continuous review of the financial records, we identified a variance between our accounting system age analysis and the general ledger which feed into the annual financial statements.

The error detected resulted in other receivables from exchange transactions in the annual financial statements being overstated by **(R 3,255,929)**.

Impairment provision

During the review of the financial statements in conjunction with our auditors we identified that certain individual accounts were not impaired according to the strictest precepts of our guidance documents. This resulted in the following variance from the previously reported figure for which adjustment were made:

Impairment for water was overstated by **R 2,456,056**.

Impairment for wastewater management (sewerage) was understated by **(R1,754,386)**.

Mahikeng Local Municipality

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35. Prior-year adjustments (continued)

Impairment for waste management (refuse) was understated by **(R6,900,711)**.

Impairment for other debtors (sundry debtors) was understated by **(R1,431,872)**.

Receivables from non-exchange transactions

During the review of the financial statements in conjunction with our auditors we identified that certain individual accounts were not impaired according to the strictest precepts of our guidance documents. This resulted in the reperformance of our estimate for impairment with the outcome being an adjustment:

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35. Prior-year adjustments (continued)

Impairment for property rates was overstated by **R 5,281,484**.

Cash and cash equivalents

There were no prior period corrections done on this line item.

Investment property

There were no prior period corrections done on this line item.

Property, plant and equipment

The completed construction WIP projects for the 2020/21 financial year were capitalised, but not depreciated because they were not fully componentised by year end. We had to correct this by componentising the assets, calculating the depreciation and passing the correcting journal to account for the depreciation.

The PPE balance was overstated by **(R1,774,624)**

There were WIP invoices for the Guardrails project which were previously recorded in the maintenance expenditure account. This has been corrected by re-allocating the prior year invoices from expenditure account to the WIP account.

The PPE WIP balance was understated by **R1,290,497**.

In 2021, there were negative transactions in the asset accounts.

The PPE balance was overstated by **(R207,090)**.

These were unknown system errors. The municipality logged a call to Munsoft and majority of this was attended to.

The current system errors have been reduced (R2,011).

Thus, currently, the PPE balance is overstated by **(R2,011)**.

Intangible assets

The 2021 balance was reduced by **(R76 016)** because 2 intangible asset line items were erroneously not amortised. This was corrected, and a prior year amortisation journal has been processed to account for this additional amortisation.

Financial liabilities - Loans

There were no prior period corrections done on this line item.

Payables from exchange transactions

VAT Payables

Recognition of various invoices from different suppliers relating to VAT were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoices in the 2021/22 general ledger resulted in the following: Trade payables are overstated by R 3 306 143.06 and VAT were overstated by **R3 306 143.06**

Inventory expenditure

Recognition of various invoices relating to Inventory Expenditure were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoices in the 2021/22 general ledger resulted in the following: Trade payables are

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35. Prior-year adjustments (continued)

understated by R -88 144 and Inventory Expenditure are understated by **(R 88 144)**.

Refused Removal

Recognition of SELEKE WASTE COLLECTION & SERVICES invoice INV 006331 relating to refuse removal were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoice in the 2021/22 general ledger resulted in the following: Trade payables are understated by R 48 000 and refused removal are understated by **(R 48 000)**.

Hire

Recognition of Invoice issued by MAFOKO BROTHERS LOGISTICS invoice INV 007.0721.PH for 2020/21 financial year were incorrectly captured in the 2021/22 general ledger. The omission of these invoice in the 2020/21 general ledger resulted in the following: Trade payables are understated by R 163 921; VAT Payable is understated by R 21 381; and Hire expense is understated by **(R 142 540)**.

Repairs and maintenance

Recognition of Invoices issued for the 2020/21 financial year were incorrectly captured in the 2021/22 general ledger. The omission of these invoices in the 2020/21 general ledger resulted in the following: Trade payables are understated by R -762 964.05; VAT Payable is understated by R 114 444.61; and Repairs and Maintenance is understated by **(R 762 964.05)**.

Bulk purchase water and electricity

Credit notes issued for the 2020/21 financial year general ledger. Passing of those credit notes in the 2020/21 general ledger resulted in the following: Trade payables are overstated by R 22 946 457.81 ; VAT Payable is overstated by R -3 441 968.67 and bulk purchase water and electricity is overstated by **R 22 946 457.81**.

Finance Cost

Credit notes issued for the 2020/21 financial year general ledger. Passing of those credit notes in the 2020/21 general ledger resulted in the following: Trade payables are overstated by R 382 257.81 ; and Finance charge is overstated by **R 382 257.81**.

VAT payable

Recognition of various invoices from different suppliers relating to VAT were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoices in the 2021/22 general ledger resulted in the following:

Trade payables are overstated by R 3 306 143.06 and VAT were overstated by **(R 3 306 143.06)**

Accumulated Surplus

All the above transactions add up to the balance which adds up to the adjustment of accumulated surplus

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35. Prior-year adjustments (continued)

Statement of Financial Performance

Depreciation and amortisation

The completed construction WIP projects for the 2020/21 financial year were capitalised, but not depreciated because they were not fully componentised by year end. We had to correct this by componentising the assets, calculating the depreciation

and passing the correcting journal to account for the depreciation.

The PPE balance was overstated by **(R1 774 624)**.

The prior year amortisation has increased by **(R76,016)** because additional amortisation for 2 intangible asset has been processed on the Intangible Asset Register and the respective prior year journal processed on the system.

Finance costs

Credit notes issued for the 2020/21 financial year general ledger. Passing of those credit notes in the 2020/21 general ledger resulted in the following: Trade payables are overstated by R 382 257.81 ; and Finance charge is overstated by **R 382 257.81** .

Debt Impairment

During the review of the financial statements in conjunction with our auditors we identified that certain individual accounts were not impaired according to the strictest precepts of our guidance documents. This resulted in the reperformance of our estimate for impairment with the outcome being an adjustment.

The reviewed receivables from exchange transaction based on recommendations made resulted in a net understatement of bad debts expense of (R7,630,914)

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35. Prior-year adjustments (continued)

The reperformance of the receivables from non-exchange transaction based on recommendations made resulted in an overstatement adjustment of R 5,281,484.

Repairs and maintenance

Recognition of Invoices issued for the 2020/21 financial year were incorrectly captured in the 2021/22 general ledger. The omission of these invoices in the 2020/21 general ledger resulted in the following: Trade payables are understated by R 877408.66; VAT Payable is understated by R 114 444.61; and Repairs and Maintenance is understated by **(R 762 964.05)**.

There were WIP invoices for the Guardrails project which were previously recorded in the maintenance expenditure account. This has been corrected by re-allocating the prior year invoices from expenditure account to the WIP account. The PPE WIP balance was understated by **R1,290,497**.

General Expenses

Inventory expenditure

Recognition of various invoices relating to Inventory Expenditure were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoices in the 2021/22 general ledger resulted in the following: Trade payables are understated by R 88 144 and Inventory Expenditure are understated by **(R 88 144)**.

Refused Removal

Recognition of SELEKE WASTE COLLECTION & SERVICES invoice INV 006331 relating to refuse removal were incorrectly captured in the 2021/22 general ledger. The erroneous capturing of these invoice in the 2021/22 general ledger resulted in the following: Trade payables are understated by R 48 000 and refused removal are understated by **(R 48 000)**.

Hire

Recognition of Invoice issued by MAFOKO BROTHERS LOGISTICS invoice INV 007.0721.PH for 2020/21 financial year were incorrectly captured in the 2021/22 general ledger. The omission of these invoice in the 2020/21 general ledger resulted in the following: Trade payables are understated by R 142 540; VAT Payable is understated by R 21381; and Hire expense is understated by **(R 142 540)**.

Electricity

Credit notes issued for the 2020/21 financial year general ledger. Passing of those credit notes in the 2020/21 general ledger resulted in the following: Trade payables are overstated by R 26 388 426 ; VAT Payable is overstated by R 3 441 968.67 ; and bulk purchase water and electricity is overstated by **R 22 946 457.81**.

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36. Risk management

Financial risk management

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36. Risk management (continued)

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does

not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

Credit Risk;
Liquidity Risk; and
Market Risk

Risks and exposures are disclosed as follows:

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and

Mahikeng Local Municipality

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36. Risk management (continued)

stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Liquidity risk

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

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

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36. Risk management (continued)

Credit risk

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

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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36. Risk management (continued)

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

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

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of

AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's

Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled

in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade Receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of

accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment",

"restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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 and derivative financial instruments is limited because the counterparties are banks

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36. Risk management (continued)

with high credit-ratings assigned by international credit-rating agencies.

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

Financial instrument	2022	2021
Receivables from exchange transactions	78 054 461	48 920 221
Receivables from non-exchange transactions	102 562 235	21 784 660
Cash and cash equivalent	22 133 097	40 948 096

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest charges.

Financial Assets and Liabilities that are sensitive to interest risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months are made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy at this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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37. 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.

Although the Municipality had an accumulated surplus of R1 351 128 501 we draw attention to the fact that at 30 June 2022 the Municipality has a Profit/Deficit of R 172 980 321 and its current liabilities exceed its current assets by R 279 117 505

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations for the Municipality and raise and collect revenue for services rendered. The Municipality has implemented strict measures enforced on all debtors who default on their accounts, this will be done in line with Council Policy on Debt Collection and Credit Control. It is envisaged that these measures will assist in improving the collection rate of the municipality.

38. Events after the reporting date

As at 30 June 2022, and post the statement of financial position date, the National Disaster Act remains in force, resulting in national lockdown of movement of people and restrictions placed on trading by businesses.

The government's risk adjusted strategy to COVID-19 commenced at level 5 in March 2020, which had an impact on the last quarter of operations for the financial year.

Post statement of financial position date, the lockdown level has been adjusted and stands at level 1. This has seen an opening of the economy and a significant move towards normality.

The negative impact on trading operations is expected to continue albeit to a much lesser extent. It remains uncertain as to when the state of National Disaster will be completely lifted, amongst speculation of a 'second wave' of the COVID-19 pandemic

39. Unauthorised expenditure

Opening balance	1 296 864 646	1 176 061 381
Current year movement	187 585 248	120 803 265
	1 484 449 894	1 296 864 646

Unauthorised expenditure for the current year and prior year relates to the following expenditure votes to over spending on operational expenditure votes. For detail overspending on votes the reader is referred to the Budget and Comparison Statement together with Note 44 .

Movements in unauthorised expenditure	187 585 248	120 803 265
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The following processes were planned and implemented in detail regarding unauthorised expenditure as prescribed by section 32 of the MFMA incurred during 2015-16 and previous financial years:

Submitted the unauthorised expenditure registers to Council for tabling and further decision making.

Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the unauthorised expenditure in accordance with the MFMA section 32 (2) (a) (ii).

No decision to authorise the incurred authorised expenditure has been made to date.

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40. Fruitless and wasteful expenditure		
Opening balance	38 211 744	37 652 049
Fruitless and wasteful expenditure incurred during the year	1 414 551	559 695
Adjustment (Revesal of Interest charged on overdue account)	(1 930 517)	-
	37 695 778	38 211 744
Details of incidents occurred		
Interest charged on overdue account	1 414 551	554 501
Penalties occurred	-	5 194
	1 414 551	559 695

Expenditure incurred during the year from interest paid on overdue accounts and penalties charged for non-compliance with statutory requirements. The matters are currently under investigation, no disciplinary steps taken to date.

As at 30 June 2022, no MFMA section 32 processes have been instituted for fruitless and wasteful expenditure arising from 2016-17 to 2020-21.

The following processes were planned and implemented in detail regarding fruitless and wasteful expenditure as prescribed by section 32 of the MFMA for the 2015-16 and prior financial years:

- 1) Submitted the fruitless and wasteful expenditure registers to Council for tabling and further decision making.
- 2) Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the fruitless and wasteful expenditure in accordance with the MFMA section 32 (2) (b).
- 3) MPAC requested the Audit Committee for assistance resulting in the Internal Audit unit being assigned the task of investigating the incurred expenditure.
- 4) No investigation has been performed as yet by the internal audit unit.

41. Irregular expenditure

Opening balance	1 399 464 748	1 189 694 499
Add: Irregular Expenditure - current year	222 843 332	209 770 249
	1 622 308 080	1 399 464 748

Details of irregular expenditure – Prior year

	Disciplinary steps taken/criminal proceedings	
Tax and other SCM compliance matters	Currently being investigated-No action taken	17 661 699
Procurement process not followed	Currently being investigated-No action taken	187 425 628
Adjustment during audit	Currently being investigated-No action taken	4 682 922
		209 770 249

Details of irregular expenditure – Current year

	Condoned by (condoning authority)	
Tax and other SCM compliance matters	Currently being investigated-No action taken	67 927 831
Procurement process not followed	Currently being investigated-No action taken	154 915 501
		222 843 332

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42. Additional disclosure in terms of Municipal Finance Management Act		
Skills Development Levy		
Current year subscription / fee	2 848 820	2 241 644
Amount paid - current year	(2 848 820)	(2 241 644)
	-	-

Prior period correction:

SDL declarations were wrongly captured under PAYE and UIF now corrected. Please see details below:

Water Losses

Purchases	7 417 014	8 774 335
Sales	(9 711 622)	(10 074 626)
Units lost in distribution revenue	(2 294 608)	(1 300 291)
Quantity (Units lost in distribution)	(2 294 608)	(1 300 291)
Annual Average cost of Purchased Unit	9.35	8.82
Monetary Loss in distribution	(21 454 581)	(11 468 567)
Water loss for the year	-30,9%	-14,8%

The municipality purchases water from local water service authority and sells to its residents. During the current year the municipality bought 7 417 014 kilolitres (2021: 8 774 335), sold 9 711 622 kilolitres (2021: 10 074 626) and this resulted in water losses/(Profit) 2 294 608 (2021: (1 300 291)) and percentage loss/(Profit) of 30.9% (2021:(14,8%). The reason why we have a distribution "profit" or "gain" is because the units purchased are based on actual water meter readings supplied by Sedibeng Water and the units sold by the Municipality are based on both actual and estimated water meter readings. Estimated water readings for the 2022 financial year, thus, resulted in more kilolitres being billed than those actually supplied to the consumers.

Audit fees

Opening balance	3 939 681	75 849
Current year subscription / fee	7 070 536	11 728 688
Amount paid - current year	(10 998 474)	(7 864 856)
	11 743	3 939 681

PAYE and UIF

Current year subscription / fee	56 097 359	52 302 504
Amount paid - current year	(56 097 359)	(52 302 504)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	75 188 444	74 249 176
Amount paid - current year	(75 188 444)	(74 249 176)
	-	-

VAT

VAT payable	34 282 077	17 132 956
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The VAT 201 is submitted monthly on a cash basis.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Van Rooye SJ	3 279	51 811	55 090
Councillor Diakanyo KB	(1 998)	(3 349)	(5 347)
Councillor Seheri KC	212	139	351
Councillor Motshabi T	4 064	47 679	51 743
Councillor Motau NJ	4 294	-	4 294
	9 851	96 280	106 131

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Van Rooye SJ	3 095	47 606	50 701
Councillor Diakanyo KB	(1 904)	(3 786)	(5 690)
Councillor Seheri KC	-	(1)	(1)
Councillor Motshabi T	3 674	33 449	37 123
Councillor Motau NJ	1 531	-	1 531
	6 396	77 268	83 664

SALGA Subscription

Incident

Current year subscription/ fees	3 163 440	3 165 566
Amount paid - current year	(3 163 440)	(3 165 566)
	-	-

43. 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.

Procurement transactions	June 2022	June 2021
Emergency Procurement	3 094 187	9 826 022
Sole provider	-	230 712
Impractical or impossible to follow official procurement process	10 611 868	21 299 231
Adjustments	-	(375 155)
	13 706 055	30 980 810

44. Statement of comparison of budget and actual

Material differences between budget and actual amounts

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44. Statement of comparison of budget and actual (continued)

The reasons for the material variances between the approved budget and the final budget are explained below. A variance is considered material if it is 10% or more and if the amount exceeds R 4 million.

Reasons for material differences between actual and budget figures are explained below:

1 - The municipality budgeted to collect higher service charges and actually collected less because there was an expectation that after lock down restrictions were relaxed and employees going to work on a full time basis the municipality would collect more but that wasn't the case. This applies to the overall services charges.

2 - Refer to the overall reason for service charges.

3 - Movement considered to be immaterial and therefore no explanation is required.

4 - Movement considered to be immaterial and therefore no explanation is required.

5 - The Municipality instituted a COVID-19 relief programme in which interest on accounts was suspended and thus reducing the interest billable. With the restriction of the pandemic reduced and the relief program uplifted the municipality anticipated to receive more interest which was not the case.

6 - The municipality anticipated that with all restrictions uplifted and citizens of Mahikeng going back to normal it would collect more on licenses and permits which was not the case.

7 - The significant increase of what was recovered which is higher than what was budgeted is because of the VBS Recovery of R5,817,061.52 & unallocated deposit of R6,714,295.32 which was transferred to other income which the municipality did not budget for.

8 - The municipality anticipated that with all restrictions uplifted and citizens of Mahikeng going back to normal it would collect more on property rates which was not the case.

9 - The sudden increase is due to the additional funds received for MIG, Equitable Share & The R10,000,000.00 Grant received from NMMDM

10 - Due to Covid-19, National Department of Transport have to extend the validity of drivers license, public driving permit, learners license, this resulted in fewer fines being issued. Most who were working before Covid-19 have lost jobs and they were unable to pay their traffic fines. Covid-19 also restricted movement of individuals

11 - The amount saved on employee related cost is due to vacant positions not filled in the current year as expected as well as late appointments of some positions.

12 - As a result of annual upperlimits.

13 - Acquisition of additional assets and completed projects.

14 - Movement considered to be immaterial and therefore no explanation is required..

15 - Less debtors were impaired than anticipated when the budget was prepared.

16 - Less procurement of COVID-19 PPE due to the upliftment of COVID-19 regulations as stated by the minister of health

17 - The budgeted figure includes all contracted services but the actual consist of only call centre and security services the rest is disclosed separately under general expenditure as professional fees, therefor Call Centre & Security Services budgeted amount is R31,615,358 compared to the actual of R30,024,977 the sudden decrease is due to one of the call centre contracts expired.

18 - The classifications of other expenditure group major expenditure classes like Professional Services, legal fees, Bulk purchases inventory expenditure, electricity bill & Landfill site this is the cause of the rapid increase of general expenditure.

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45. Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated.

The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly

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