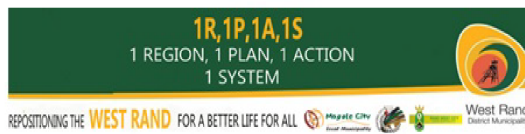


Planning by	Reviewed	Performed by	Final review

**Client details**

Client name: West Rand District Municipality Group  
Year end: 30 June 2020



**West Rand District Municipality Group**  
(Registration number DC48)  
**Annual Financial Statements**  
for the year ended 30 June 2020

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	District Municipality DC48 Municipal Finance Management Act (No. 56 of 2003)
<b>Nature of business and principal activities</b>	District municipality is a coordinating structure established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa as a category C municipality which has municipal executive and legislative authority in an area that includes more than one municipality. West Rand District Municipality coordinates its local municipalities in West Rand region, namely Mogale City Local Municipality, Rand West City Local Municipality and Merafong City Local Municipality.
<b>Members of Council</b>	
Speaker of Council	Ald. N. Tundzi-Hawu
Executive Mayor	Cllr. S.D Thabe
Council Whip	Cllr S.P Monoane
Mayoral Committee	Ald. F.O Bhayat (MMC: Financial Services) Cllr D.D Moreotsenye (MMC: Corporate & Shared Services) Cllr H.O Butler (MMC: Public Safety) Cllr S. Konopi (MMC: Transport & Human Settlements) Cllr M.J Selibo (MMC: Infrastructure) Cllr P. Chabane (MMC: Regional Industrialisation) Cllr B. Xulu (MMC: Health & Social Services) Ald. T.P Matuwane (MMC: Environmental Management)
Councillors	Cllr V.B Khumalo (Chairperson of Section 79 Committee) Ald. D.H Pretorius Cllr G.S Isherwood Ald. D.B Blake Cllr E.P Du Plessis Cllr M.N Ndzilane Cllr A.L Rowles-Zwart Cllr R.T Molusi Cllr K. Mandyu Cllr J.D.H Du Bruyn Cllr B.A Mpeke Cllr S.G Agondo Cllr M. Ndamase Cllr Ald. J. Zwart Cllr A.J Van Tonder Cllr P.C Orpen-Reid Cllr M. Nkoe Cllr B. Van Der Berg Cllr K.E Lekagane Cllr J.N Kotze

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## General Information

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	Cllr W. Segolodi Cllr X.L Mkruquli Cllr B.R Mafika Cllr W. Njani Cllr M. Sello Cllr L. Modise Cllr M. Myeki Cllr M.P Teleko Cllr J.L Pannall Cllr M. Naki Cllr H.H Hild Cllr I.M Merabe Cllr H.B Munyai
<b>Grading of local authority</b>	Medium Capacity Category C
<b>Accounting Officer</b>	E.M Koloji
<b>Chief Finance Officer (CFO)</b>	L.S Ramaele
<b>Registered office</b>	Cnr Sixth & Park Street Randfontein 1760
<b>Business address</b>	Private Bag X033 Randfontein 1760
<b>Bankers</b>	First National Bank Standard Bank of South Africa
<b>Auditors</b>	Auditor General South Africa

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Index

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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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PAYE	Pay-As-You-Earn
MPAC	Municipal Public Accounts Committee
SALGBC	South African Local Government Bargaining Council
RSC	Regional Service Council Levy
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
FMG	Finance Management Grant
LG SETA	Local Government Sector Educational and Training Authority
NDPG	Neighbourhood Development Partnership Grant
GDARD	Gauteng Department of Agriculture and Rural Development
ME's	Municipal Entities
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act (No. 56 of 2003)
EPWP	Expanded Public Works Programme
WCA	Workmen's Compensation Assistance
COGTA	Cooperative Governance and Traditional Affairs
WRDM	West Rand District Municipality

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Responsibilities and Approval

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

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

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 for the year to 30 June 2021 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 is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2020 and were signed on its behalf by:

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**E.M Koloi**  
**Acting Municipal Manager**

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2020.

### 1. Going concern

We draw attention to the fact that at 30 June 2020, the economic entity had an accumulated surplus (deficit) of R (100 726 841) and that the entity's total liabilities exceed its assets by R (100 726 841). The municipality had a surplus (deficit) for the year of R 17 461 056.

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

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer access continued funding from National and Provincial Government.

Additional details on municipal going concern assessment is fairly disclosed in the notes to the annual financial statements.

### 2. Subsequent events

All matters and events that occurred between 30 June 2020 and the date of submission of the annual financial statements have been taken into account and appropriately reported. Please refer to note 45.

### 3. Accounting Officer's interest in contracts

The accounting officer did not have any interest in any contract of the municipality.

### 4. Accounting policies

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

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
E.M Koloji	South African

### 6. Bankers

The Municipality primarily banks with First National Bank.

The Municipality also banks with Standard Bank of Southern Africa.

### 7. Auditors

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

### 8. Non-compliance with applicable legislation

Any instance of non-compliance to applicable legislation is fairly disclosed in the Notes to the Annual Financial Statements. Please refer to note 54.

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**E.M Koloji**  
**Acting Municipal Manager**

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
<b>Assets</b>					
Current Assets					
Inventories	3	90 108	99 093	90 108	99 093
Receivables from exchange transactions	4	8 467 293	29 324 271	8 467 293	29 294 274
VAT receivable	5	3 885 047	4 648 721	5 514 867	6 069 789
Non-current assets held for sale	6	290 120	288 304	290 120	288 304
Cash and cash equivalents	7	4 481 351	7 264 007	1 045 473	2 500 573
		<b>17 213 919</b>	<b>41 624 396</b>	<b>15 407 861</b>	<b>38 252 033</b>
Non-Current Assets					
Biological assets that form part of an agricultural activity	8	264 287	331 058	264 287	331 058
Investment property	9	6 900 000	5 600 000	6 900 000	5 600 000
Property, plant and equipment	10	64 589 415	71 595 153	52 489 250	58 884 615
Intangible assets	11	4	4	3	3
Investments in controlled entities		-	-	14 578 528	14 578 528
Long-term Receivables	12	254 916	254 916	254 916	254 916
		<b>72 008 622</b>	<b>77 781 131</b>	<b>74 486 984</b>	<b>79 649 120</b>
<b>Total Assets</b>		<b>89 222 541</b>	<b>119 405 527</b>	<b>89 894 845</b>	<b>117 901 153</b>
<b>Liabilities</b>					
Current Liabilities					
Finance lease obligation	13	-	12 839 512	-	12 839 512
Payables from exchange transactions	14	82 988 212	63 937 375	79 390 776	62 842 720
Transfers payable (non-exchange)	15	32 444 344	32 444 344	30 444 344	30 444 344
Employee benefit obligation	16	2 315 936	2 494 905	2 315 936	2 494 905
Unspent conditional grants and receipts	17	1 318 119	47 814 928	1 318 119	47 814 928
Provisions	18	14 192 093	10 849 655	14 192 093	10 849 655
		<b>133 258 704</b>	<b>170 380 719</b>	<b>127 661 268</b>	<b>167 286 064</b>
Non-Current Liabilities					
Employee benefit obligation	16	42 995 442	53 786 591	42 995 442	53 786 591
Provisions	18	13 695 236	13 164 642	13 695 236	13 164 642
		<b>56 690 678</b>	<b>66 951 233</b>	<b>56 690 678</b>	<b>66 951 233</b>
<b>Total Liabilities</b>		<b>189 949 382</b>	<b>237 331 952</b>	<b>184 351 946</b>	<b>234 237 297</b>
<b>Net Assets</b>		<b>(100 726 841)</b>	<b>(117 926 425)</b>	<b>(94 457 101)</b>	<b>(116 336 144)</b>
Accumulated deficit		(100 726 841)	(117 926 425)	(94 457 101)	(116 336 144)

\* See Note 44



# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	19	1 558 880	1 799 032	1 558 880	1 799 032
Rental of facilities and equipment	20	2 105 680	2 095 091	1 830 372	1 750 295
Interest on outstanding receivables		533 496	703 601	533 496	703 601
Licences and permits	21	117 272	421 739	117 272	421 739
Recoveries	22	7 611	177 291	7 611	177 291
Operating income	23	3 628 453	13 571 066	3 628 453	13 571 066
Interest earned	24	975 043	596 176	769 237	411 298
<b>Total revenue from exchange transactions</b>		<b>8 926 435</b>	<b>19 363 996</b>	<b>8 445 321</b>	<b>18 834 322</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	26	270 663 414	273 183 632	270 663 414	273 183 632
Public contributions and donations	27	-	254 590	-	254 590
<b>Total revenue from non-exchange transactions</b>		<b>270 663 414</b>	<b>273 438 222</b>	<b>270 663 414</b>	<b>273 438 222</b>
<b>Total revenue</b>		<b>279 589 849</b>	<b>292 802 218</b>	<b>279 108 735</b>	<b>292 272 544</b>
<b>Expenditure</b>					
Employee related costs	28	(183 982 587)	(178 886 483)	(181 590 505)	(176 417 337)
Remuneration of councillors	29	(13 808 021)	(13 705 591)	(13 243 521)	(13 020 091)
Depreciation	30	(4 602 247)	(7 339 199)	(4 454 176)	(7 179 266)
Interest costs and penalties	32	(9 724 319)	(14 398 779)	(9 469 575)	(14 257 417)
Lease rentals on operating lease	33	(5 523 172)	(8 896 088)	(5 349 172)	(8 721 864)
Contributions to/ (reversals) of debt impairment provision	34	(8 239 732)	(841 819)	(8 239 732)	(841 819)
Contracted services	35	(18 170 917)	(17 490 860)	(17 945 887)	(17 233 881)
Transfers and Subsidies	36	(7 444 069)	(8 744 340)	(7 444 069)	(13 144 340)
Operating costs	37	(25 460 485)	(18 985 651)	(24 782 114)	(16 728 852)
<b>Total expenditure</b>		<b>(276 955 549)</b>	<b>(269 288 810)</b>	<b>(272 518 751)</b>	<b>(267 544 867)</b>
<b>Operating surplus</b>		<b>2 634 300</b>	<b>23 513 408</b>	<b>6 589 984</b>	<b>24 727 677</b>
Loss on disposal of assets and liabilities		(2)	(27 192)	-	-
Fair value adjustments	38	1 233 229	492 847	1 233 229	492 847
Actuarial gains/losses	25&16	17 169 651	10 439 480	17 169 651	10 439 480
Impairment of assets	31	(2 426 669)	-	(1 964 371)	-
Workmen's compensation movement		(1 149 450)	(1 159 070)	(1 149 450)	(1 159 070)
		<b>14 826 759</b>	<b>9 746 065</b>	<b>15 289 059</b>	<b>9 773 257</b>
<b>Surplus for the year</b>		<b>17 461 059</b>	<b>33 259 473</b>	<b>21 879 043</b>	<b>34 500 934</b>

\* See Note 44

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand	Accumulated deficit	Total net assets
<b>Economic entity</b>		
<b>Balance at 01 July 2018</b>	<b>(151 185 898)</b>	<b>(151 185 898)</b>
Changes in net assets		
Surplus for the year	33 259 473	33 259 473
<b>Total changes</b>	<b>33 259 473</b>	<b>33 259 473</b>
Opening balance as previously reported	(106 101 809)	(106 101 809)
Adjustments		
Prior year adjustments (Note 44)	(12 086 091)	(12 086 091)
<b>Restated* Balance at 01 July 2019 as restated*</b>	<b>(118 187 900)</b>	<b>(118 187 900)</b>
Changes in net assets		
Surplus for the year	17 461 059	17 461 059
<b>Total changes</b>	<b>17 461 059</b>	<b>17 461 059</b>
<b>Balance at 30 June 2020</b>	<b>(100 726 841)</b>	<b>(100 726 841)</b>
Note(s)		
<b>Controlling entity</b>		
<b>Balance at 01 July 2018</b>	<b>(150 837 078)</b>	<b>(150 837 078)</b>
Changes in net assets		
Surplus for the year	34 500 934	34 500 934
<b>Total changes</b>	<b>34 500 934</b>	<b>34 500 934</b>
Opening balance as previously reported	(104 117 895)	(104 117 895)
Adjustments		
Prior year adjustments (Note 45)	(12 218 249)	(12 218 249)
<b>Restated* Balance at 01 July 2019 as restated*</b>	<b>(116 336 144)</b>	<b>(116 336 144)</b>
Changes in net assets		
Surplus for the year	21 879 043	21 879 043
<b>Total changes</b>	<b>21 879 043</b>	<b>21 879 043</b>
<b>Balance at 30 June 2020</b>	<b>(94 457 101)</b>	<b>(94 457 101)</b>
Note(s)		

\* See Note 44

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		339 430	391 290	-	-
Grants		233 345 575	276 412 000	233 345 575	276 412 000
Interest income		1 001 721	571 404	769 237	411 298
Other receipts		21 735 278	24 736 272	21 735 278	24 627 814
		256 422 004	302 110 966	255 850 090	301 451 112
<b>Payments</b>					
Employee costs		(186 702 747)	(205 543 399)	(183 628 433)	(204 647 296)
Suppliers		(58 618 678)	(72 971 489)	(59 793 521)	(70 628 395)
Interest costs and penalties		(648 668)	(1 739 493)	(648 668)	(1 739 493)
		(245 970 093)	(280 254 381)	(244 070 622)	(277 015 184)
<b>Net cash flows from operating activities</b>	39	<b>10 451 911</b>	<b>21 856 585</b>	<b>11 779 468</b>	<b>24 435 928</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10	(17 999)	(52 107)	(17 999)	(35 257)
Proceeds from sale of property, plant and equipment	10	-	5 260 125	-	-
Purchase of investment property	9	-	-	-	-
<b>Net cash flows from investing activities</b>		<b>(17 999)</b>	<b>5 208 018</b>	<b>(17 999)</b>	<b>(35 257)</b>
<b>Cash flows from financing activities</b>					
Finance lease payments		(13 216 569)	(15 547 021)	(13 216 569)	(15 547 021)
Inter-company loan		-	-	5 000 000	-
Repayment of inter-company loan		-	-	(5 000 000)	-
<b>Net cash flows from financing activities</b>		<b>(13 216 569)</b>	<b>(15 547 021)</b>	<b>(13 216 569)</b>	<b>(15 547 021)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(2 782 657)</b>	<b>11 517 582</b>	<b>(1 455 100)</b>	<b>8 853 650</b>
Cash and cash equivalents at the beginning of the year		7 264 007	(4 253 575)	2 500 573	(6 353 077)
<b>Cash and cash equivalents at the end of the year</b>	7	<b>4 481 350</b>	<b>7 264 007</b>	<b>1 045 473</b>	<b>2 500 573</b>

\* See Note 44

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 033 000	-	<b>1 033 000</b>	1 558 880	<b>525 880</b>	A
Rental of facilities and equipment	1 038 000	353 000	<b>1 391 000</b>	2 105 680	<b>714 680</b>	B
Interest received (trading)	-	569 000	<b>569 000</b>	533 496	<b>(35 504)</b>	
Licences and permits	700 000	(300 000)	<b>400 000</b>	117 272	<b>(282 728)</b>	C
Recoveries	-	-	-	7 611	<b>7 611</b>	
Operating income	17 201 000	(10 777 000)	<b>6 424 000</b>	3 628 453	<b>(2 795 547)</b>	D
Interest received - investment	-	120 000	<b>120 000</b>	975 043	<b>855 043</b>	E
<b>Total revenue from exchange transactions</b>	<b>19 972 000</b>	<b>(10 035 000)</b>	<b>9 937 000</b>	<b>8 926 435</b>	<b>(1 010 565)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	222 576 000	10 015 000	<b>232 591 000</b>	270 663 414	<b>38 072 414</b>	F
<b>Total revenue</b>	<b>242 548 000</b>	<b>(20 000)</b>	<b>242 528 000</b>	<b>279 589 849</b>	<b>37 061 849</b>	
<b>Expenditure</b>						
Employee related costs	(180 354 000)	(6 697 000)	<b>(187 051 000)</b>	(183 982 587)	<b>3 068 413</b>	G
Remuneration of councillors and board members	(14 643 000)	712 000	<b>(13 931 000)</b>	(13 808 021)	<b>122 979</b>	H
Depreciation and amortisation	(7 000 000)	-	<b>(7 000 000)</b>	(4 602 247)	<b>2 397 753</b>	I
Impairment loss/ Reversal of impairments	-	-	-	(2 426 669)	<b>(2 426 669)</b>	I
Finance costs	(1 564 000)	(30 000)	<b>(1 594 000)</b>	(9 724 319)	<b>(8 130 319)</b>	J
Lease rentals on operating lease	(1 474 000)	(4 027 000)	<b>(5 501 000)</b>	(5 523 172)	<b>(22 172)</b>	
Debt Impairment	-	-	-	(8 239 732)	<b>(8 239 732)</b>	K
Contracted Services	(28 758 000)	6 474 000	<b>(22 284 000)</b>	(18 170 917)	<b>4 113 083</b>	L
Transfers and Subsidies	(12 640 000)	4 392 000	<b>(8 248 000)</b>	(7 444 069)	<b>803 931</b>	M
General Expenses	(35 184 000)	3 383 000	<b>(31 801 000)</b>	(25 460 485)	<b>6 340 515</b>	N
<b>Total expenditure</b>	<b>(281 617 000)</b>	<b>4 207 000</b>	<b>(277 410 000)</b>	<b>(279 382 218)</b>	<b>(1 972 218)</b>	
<b>Operating surplus</b>	<b>(39 069 000)</b>	<b>4 187 000</b>	<b>(34 882 000)</b>	<b>207 631</b>	<b>35 089 631</b>	
Loss on disposal of assets and liabilities	-	-	-	(2)	<b>(2)</b>	
Fair value adjustments	-	-	-	1 233 229	<b>1 233 229</b>	O
Actuarial gains/losses	-	-	-	17 169 651	<b>17 169 651</b>	
Workmen's compensation provision	-	-	-	(1 149 450)	<b>(1 149 450)</b>	
	-	-	-	<b>17 253 428</b>	<b>17 253 428</b>	
<b>Surplus before taxation</b>	<b>(39 069 000)</b>	<b>4 187 000</b>	<b>(34 882 000)</b>	<b>17 461 059</b>	<b>52 343 059</b>	

## West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(39 069 000)</b>	<b>4 187 000</b>	<b>(34 882 000)</b>	<b>17 461 059</b>	<b>52 343 059</b>	

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	136 000	-	<b>136 000</b>	90 108	<b>(45 892)</b>	P
Receivables from exchange transactions	26 585 000	-	<b>26 585 000</b>	8 467 293	<b>(18 117 707)</b>	Q
VAT receivable	-	-	-	4 146 490	<b>4 146 490</b>	R
Non-current assets held for sale	-	-	-	290 120	<b>290 120</b>	
Cash and cash equivalents	-	-	-	4 481 351	<b>4 481 351</b>	O
	<b>26 721 000</b>	-	<b>26 721 000</b>	<b>17 475 362</b>	<b>(9 245 638)</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	338 000	-	<b>338 000</b>	264 287	<b>(73 713)</b>	O
Investment property	5 370 000	430 000	<b>5 800 000</b>	6 900 000	<b>1 100 000</b>	O
Property, plant and equipment	58 912 000	-	<b>58 912 000</b>	64 589 415	<b>5 677 415</b>	
Intangible assets	-	-	-	4	<b>4</b>	
Investments in controlled entities	14 579 000	-	<b>14 579 000</b>	-	<b>(14 579 000)</b>	
Long-term Receivables	-	254 000	<b>254 000</b>	254 916	<b>916</b>	
	<b>79 199 000</b>	<b>684 000</b>	<b>79 883 000</b>	<b>72 008 622</b>	<b>(7 874 378)</b>	
<b>Total Assets</b>	<b>105 920 000</b>	<b>684 000</b>	<b>106 604 000</b>	<b>89 483 984</b>	<b>(17 120 016)</b>	

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	101 392 000	(21 237 000)	<b>80 155 000</b>	82 988 212	<b>2 833 212</b>	
Taxes and transfers payable (non-exchange)	30 444 344	-	<b>30 444 344</b>	32 444 344	<b>2 000 000</b>	
Employee benefit obligation	-	-	-	2 315 936	<b>2 315 936</b>	U
Unspent conditional grants and receipts	-	-	-	1 318 119	<b>1 318 119</b>	V
Provisions	5 355 000	(2 364 000)	<b>2 991 000</b>	14 192 093	<b>11 201 093</b>	W
	<b>137 191 344</b>	<b>(23 601 000)</b>	<b>113 590 344</b>	<b>133 258 704</b>	<b>19 668 360</b>	

##### Non-Current Liabilities

Employee benefit obligation	74 589 000	(17 952 000)	<b>56 637 000</b>	42 995 442	<b>(13 641 558)</b>	U
Provisions	-	-	-	13 695 236	<b>13 695 236</b>	
	<b>74 589 000</b>	<b>(17 952 000)</b>	<b>56 637 000</b>	<b>56 690 678</b>	<b>53 678</b>	
<b>Total Liabilities</b>	<b>211 780 344</b>	<b>(41 553 000)</b>	<b>170 227 344</b>	<b>189 949 382</b>	<b>19 722 038</b>	
<b>Net Assets</b>	<b>(105 860 344)</b>	<b>42 237 000</b>	<b>(63 623 344)</b>	<b>(100 465 398)</b>	<b>(36 842 054)</b>	

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated deficit	(105 860 344)	42 237 000	<b>(63 623 344)</b>	(100 465 398)	<b>(36 842 054)</b>	
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# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	-	-	-	339 430	339 430	
Grants	222 576 000	10 015 000	232 591 000	233 345 575	754 575	V
Interest income	-	120 000	120 000	1 001 721	881 721	E
Other receipts	40 022 000	(1 799 000)	38 223 000	21 735 278	(16 487 722)	A, C, D
	<b>262 598 000</b>	<b>8 336 000</b>	<b>270 934 000</b>	<b>256 422 004</b>	<b>(14 511 996)</b>	

##### Payments

Employee costs	(180 354 000)	(6 697 000)	(187 051 000)	(186 702 747)	348 253	G
Suppliers	(61 737 000)	(16 519 000)	(78 256 000)	(58 618 678)	19 637 322	X
Interest costs and penalties	-	(1 594 000)	(1 594 000)	(648 668)	945 332	J
	<b>(242 091 000)</b>	<b>(24 810 000)</b>	<b>(266 901 000)</b>	<b>(245 970 093)</b>	<b>20 930 907</b>	

<b>Net cash flows from operating activities</b>	<b>20 507 000</b>	<b>(16 474 000)</b>	<b>4 033 000</b>	<b>10 451 911</b>	<b>6 418 911</b>	
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Purchase of property, plant and equipment	(24 739 000)	18 200 000	(6 539 000)	(17 999)	6 521 001	Z
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#### Cash flows from financing activities

Finance lease payments	-	-	-	(13 216 569)	(13 216 569)	X
Net increase/(decrease) in cash and cash equivalents	(4 232 000)	1 726 000	(2 506 000)	(2 782 657)	(276 657)	
Cash and cash equivalents at the beginning of the year	4 232 000	(1 726 000)	2 506 000	7 264 007	4 758 007	
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 481 350</b>	<b>4 481 350</b>	



# West Rand District Municipality Group

(Registration number DC48)

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 033 000	-	<b>1 033 000</b>	1 558 880	<b>525 880</b>	A
Rental of facilities and equipment	1 038 000	353 000	<b>1 391 000</b>	1 830 372	<b>439 372</b>	B
Interest on outstanding receivables	-	569 000	<b>569 000</b>	533 496	<b>(35 504)</b>	
Licences and permits	700 000	(300 000)	<b>400 000</b>	117 272	<b>(282 728)</b>	C
Recoveries	-	-	-	7 611	<b>7 611</b>	
Operating income	8 357 000	(2 172 000)	<b>6 185 000</b>	3 628 453	<b>(2 556 547)</b>	D
Interest earned	-	120 000	<b>120 000</b>	769 237	<b>649 237</b>	E
<b>Total revenue from exchange transactions</b>	<b>11 128 000</b>	<b>(1 430 000)</b>	<b>9 698 000</b>	<b>8 445 321</b>	<b>(1 252 679)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	222 576 000	10 015 000	<b>232 591 000</b>	270 663 414	<b>38 072 414</b>	F
<b>Total revenue</b>	<b>233 704 000</b>	<b>8 585 000</b>	<b>242 289 000</b>	<b>279 108 735</b>	<b>36 819 735</b>	
<b>Expenditure</b>						
Employee related costs	(180 354 000)	(6 697 000)	<b>(187 051 000)</b>	(181 590 505)	<b>5 460 495</b>	G
Remuneration of councillors	(14 643 000)	712 000	<b>(13 931 000)</b>	(13 243 521)	<b>687 479</b>	H
Depreciation and amortisation	(7 000 000)	-	<b>(7 000 000)</b>	(4 454 176)	<b>2 545 824</b>	I
Impairment loss/ Reversal of impairments	-	-	-	(1 964 371)	<b>(1 964 371)</b>	I
Finance costs	(1 564 000)	(30 000)	<b>(1 594 000)</b>	(9 469 575)	<b>(7 875 575)</b>	J
Lease rentals on operating lease	(1 474 215)	(4 027 348)	<b>(5 501 563)</b>	(5 349 172)	<b>152 391</b>	
Debt impairment	-	-	-	(8 239 732)	<b>(8 239 732)</b>	K
Contracted Services	(28 758 000)	6 474 000	<b>(22 284 000)</b>	(17 945 887)	<b>4 338 113</b>	L
Transfers and Subsidies	(12 640 000)	4 392 000	<b>(8 248 000)</b>	(7 444 069)	<b>803 931</b>	M
Operating costs	(26 641 785)	(606 652)	<b>(27 248 437)</b>	(24 782 114)	<b>2 466 323</b>	N
<b>Total expenditure</b>	<b>(273 075 000)</b>	<b>217 000</b>	<b>(272 858 000)</b>	<b>(274 483 122)</b>	<b>(1 625 122)</b>	
<b>Operating surplus</b>	<b>(39 371 000)</b>	<b>8 802 000</b>	<b>(30 569 000)</b>	<b>4 625 613</b>	<b>35 194 613</b>	
Fair value adjustments	-	-	-	1 233 229	<b>1 233 229</b>	O
Actuarial gains/losses	-	-	-	17 169 651	<b>17 169 651</b>	
Workmen's compensation provision	-	-	-	(1 149 450)	<b>(1 149 450)</b>	
	-	-	-	<b>17 253 430</b>	<b>17 253 430</b>	
<b>Deficit</b>	<b>(39 371 000)</b>	<b>8 802 000</b>	<b>(30 569 000)</b>	<b>21 879 043</b>	<b>52 448 043</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(39 371 000)</b>	<b>8 802 000</b>	<b>(30 569 000)</b>	<b>21 879 043</b>	<b>52 448 043</b>	

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	136 000	-	<b>136 000</b>	90 108	<b>(45 892)</b>	P
Receivables from exchange transactions	26 585 000	-	<b>26 585 000</b>	8 467 293	<b>(18 117 707)</b>	Q
VAT receivable	-	-	-	5 514 867	<b>5 514 867</b>	R
Non-current assets held for sale	-	-	-	290 120	<b>290 120</b>	
Cash and cash equivalents	-	-	-	1 045 473	<b>1 045 473</b>	S
	<b>26 721 000</b>	-	<b>26 721 000</b>	<b>15 407 861</b>	<b>(11 313 139)</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	338 000	-	<b>338 000</b>	264 287	<b>(73 713)</b>	O
Investment property	5 370 000	430 000	<b>5 800 000</b>	6 900 000	<b>1 100 000</b>	O
Property, plant and equipment	58 912 000	-	<b>58 912 000</b>	52 489 250	<b>(6 422 750)</b>	I
Intangible assets	-	-	-	3	<b>3</b>	
Investments in controlled entities	14 579 000	-	<b>14 579 000</b>	14 578 528	<b>(472)</b>	
Long-term Receivables	-	254 000	<b>254 000</b>	254 916	<b>916</b>	
	<b>79 199 000</b>	<b>684 000</b>	<b>79 883 000</b>	<b>74 486 984</b>	<b>(5 396 016)</b>	
<b>Total Assets</b>	<b>105 920 000</b>	<b>684 000</b>	<b>106 604 000</b>	<b>89 894 845</b>	<b>(16 709 155)</b>	

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	101 391 656	(21 237 000)	<b>80 154 656</b>	79 390 776	<b>(763 880)</b>	
Transfers payable (non-exchange)	30 444 344	-	<b>30 444 344</b>	30 444 344	-	
Employee benefit obligation	-	-	-	2 315 936	<b>2 315 936</b>	U
Unspent conditional grants and receipts	-	-	-	1 318 119	<b>1 318 119</b>	V
Provisions	5 355 000	(2 364 000)	<b>2 991 000</b>	14 192 093	<b>11 201 093</b>	W
	<b>137 191 000</b>	<b>(23 601 000)</b>	<b>113 590 000</b>	<b>127 661 268</b>	<b>14 071 268</b>	

##### Non-Current Liabilities

Employee benefit obligation	74 589 000	(17 952 000)	<b>56 637 000</b>	42 995 442	<b>(13 641 558)</b>	U
Provisions	-	-	-	13 695 236	<b>13 695 236</b>	
	<b>74 589 000</b>	<b>(17 952 000)</b>	<b>56 637 000</b>	<b>56 690 678</b>	<b>53 678</b>	
<b>Total Liabilities</b>	<b>211 780 000</b>	<b>(41 553 000)</b>	<b>170 227 000</b>	<b>184 351 946</b>	<b>14 124 946</b>	
<b>Net Assets</b>	<b>(105 860 000)</b>	<b>42 237 000</b>	<b>(63 623 000)</b>	<b>(94 457 101)</b>	<b>(30 834 101)</b>	

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated deficit	(105 860 000)	42 237 000	<b>(63 623 000)</b>	(94 457 101)	<b>(30 834 101)</b>	
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# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	222 576 000	10 015 000	<b>232 591 000</b>	233 345 575	<b>754 575</b>	V
Interest income	-	120 000	<b>120 000</b>	769 237	<b>649 237</b>	E
Other receipts	40 022 000	(1 799 000)	<b>38 223 000</b>	21 735 278	<b>(16 487 722)</b>	A, C, D
	<b>262 598 000</b>	<b>8 336 000</b>	<b>270 934 000</b>	<b>255 850 090</b>	<b>(15 083 910)</b>	
<b>Payments</b>						
Employee costs	(180 354 000)	(6 697 000)	<b>(187 051 000)</b>	(183 628 433)	<b>3 422 567</b>	G
Suppliers	(61 737 000)	(16 519 000)	<b>(78 256 000)</b>	(59 793 521)	<b>18 462 479</b>	X
Interest costs and penalties	-	(1 594 000)	<b>(1 594 000)</b>	(648 668)	<b>945 332</b>	J
	<b>(242 091 000)</b>	<b>(24 810 000)</b>	<b>(266 901 000)</b>	<b>(244 070 622)</b>	<b>22 830 378</b>	
<b>Net cash flows from operating activities</b>	<b>20 507 000</b>	<b>(16 474 000)</b>	<b>4 033 000</b>	<b>11 779 468</b>	<b>7 746 468</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(24 739 000)	18 200 000	<b>(6 539 000)</b>	(17 999)	<b>6 521 001</b>	Z
<b>Cash flows from financing activities</b>						
Finance lease payments	-	-	-	(13 216 569)	<b>(13 216 569)</b>	X
Inter-company loan	-	-	-	5 000 000	<b>5 000 000</b>	T
Repayment of inter-company loan	-	-	-	(5 000 000)	<b>(5 000 000)</b>	T
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13 216 569)</b>	<b>(13 216 569)</b>	
Net increase/(decrease) in cash and cash equivalents	(4 232 000)	1 726 000	<b>(2 506 000)</b>	(1 455 100)	<b>1 050 900</b>	
Cash and cash equivalents at the beginning of the year	4 232 000	(1 726 000)	<b>2 506 000</b>	2 500 573	<b>(5 427)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 045 473</b>	<b>1 045 473</b>	

# West Rand District Municipality Group

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Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

A - Service charges over-collected due to the increased payments from consumers.

B - The increase is due to the implementation escalation fees to rental revenue as per the SLAs.

C - Under-collection was mainly driven by the negative economic effects caused by the COVID-19 pandemic.

D - During the budget and planning stage the municipality classified funds expected as a result of VAT refunds as other income while the accounting treatment of these funds are allocated to the VAT control account.

E - The over-collection was a result of the interest earned under the FNB call account used for the ring-fencing of grants.

F - Over-collection is due to the 2018/2019 unspent grants which were transferred to revenue during the 2019/2020 financial year.

G - The municipality underspent on employee related costs due to the under expenditure of current costs during the year due to the employees who resigned and went on retirement during the financial period. The municipal manager's contract lapsed during the current year in mid- January 2020.

H - The concurrence for increasing the councilor's remuneration was not approved by the MEC due to the municipality's financial constraints.

I - This was driven by the municipality's fixed assets reaching the end of their useful life during the year. The impairment loss is due to theft which occurred at the Merafong Flora. The assets stolen had a significant role to the assets, rendering them non-functional after the event.

J - Increase in interest costs and penalties was due to the interest expenditure charged due to non-payment of invoices timeously.

K - Increase in impairment was due to impairment of debt owed by Merafong City Local Municipality which has not been paid for previous two years.

L - Under expenditure in contracted services relates to reclassification of payments as finance lease payments for fire engines and rescue vehicles

M - Variance relates to the computation of pensioners medical aid based on the valuation assessment made at year end for post-retirement benefits on medical aid liability.

N - Under expenditure is mainly due to the low expenditure incurred for software licences.

O - Fair value gains/ (losses) were not budgeted for because they are valued at year end by qualified experts.

P - Due to cost containment measures in terms of circular 82 some of stock items were not procured during the year.

Q - The municipality collected more than anticipated in order to improve its available cash and cash equivalents required during the year.

R - This was budgeted for because the municipality claims VAT on payment basis and reports on accrual basis.

S - The unspent funds contribute to the available cash and cash equivalents. These funds have been cash-backed.

T - This is emergency loan which had to be taken from the WRDA in order to assist the municipality's in settling salary obligations.

U - This results from actuarial valuation performed during the year and classification of short-term portion of medical aid liability.

# West Rand District Municipality Group

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Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

V - The service provider was appointed on 1 March 2020 and due to there being minimal work undertaken due to the COVID-19 lockdown which was in place, subsequent expenditure related to the project could not be incurred.

W - This is due to the increase in workmen's compensation provision and long-service award provision.

X - During the budget and planning stage the municipality included the finance lease payments under suppliers because the A-schedule do not have a separate line for finance lease payments.

Z - During the budget and planning stage the municipality included the final lease payments under capital expenditure. The actual payments have been included under finance lease payments.

# West Rand District Municipality Group

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Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Economic entity - 2020</b>											
<b>Financial Performance</b>											
Service charges	1 033 000	-	1 033 000	-	-	1 033 000	1 558 880	-	525 880	151 %	151 %
Investment revenue	-	120 000	120 000	-	-	120 000	975 043	-	855 043	813 %	DIV/0 %
Transfers recognised - operational	207 828 000	22 015 000	229 843 000	-	-	229 843 000	267 915 414	-	38 072 414	117 %	129 %
Other own revenue	18 939 000	(10 155 000)	8 784 000	-	-	8 784 000	24 795 392	-	16 011 392	282 %	131 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>227 800 000</b>	<b>11 980 000</b>	<b>239 780 000</b>	<b>-</b>	<b>-</b>	<b>239 780 000</b>	<b>295 244 729</b>	<b>-</b>	<b>55 464 729</b>	<b>123 %</b>	<b>130 %</b>
Employee costs	(180 354 000)	(6 697 000)	(187 051 000)	-	-	(187 051 000)	(183 982 587)	-	3 068 413	98 %	102 %
Remuneration of councillors and board members	(14 643 000)	1 252 000	(13 391 000)	-	-	(13 391 000)	(13 808 021)	-	(417 021)	103 %	94 %
Debt impairment	-	-	-	-	-	-	(8 239 732)	-	(8 239 732)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(7 000 000)	-	(7 000 000)	-	-	(7 000 000)	(7 028 916)	-	(28 916)	100 %	100 %
Finance charges	(1 564 000)	(30 000)	(1 594 000)	-	-	(1 594 000)	(9 724 319)	-	(8 130 319)	610 %	622 %
Transfers and grants	(12 640 000)	4 392 000	(8 248 000)	-	-	(8 248 000)	(7 444 069)	-	803 931	90 %	59 %
Other expenditure	(65 416 000)	5 290 000	(60 126 000)	-	-	(60 126 000)	(50 304 029)	-	9 821 971	84 %	77 %
<b>Total expenditure</b>	<b>(281 617 000)</b>	<b>4 207 000</b>	<b>(277 410 000)</b>	<b>-</b>	<b>-</b>	<b>(277 410 000)</b>	<b>(280 531 673)</b>	<b>(3 121 673)</b>	<b>(3 121 673)</b>	<b>101 %</b>	<b>100 %</b>
<b>Surplus/(Deficit)</b>	<b>(53 817 000)</b>	<b>16 187 000</b>	<b>(37 630 000)</b>	<b>-</b>	<b>-</b>	<b>(37 630 000)</b>	<b>14 713 056</b>	<b>-</b>	<b>52 343 056</b>	<b>(39)%</b>	<b>(39)%</b>



## West Rand District Municipality Group

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### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 748 000	(12 000 000)	2 748 000	-		2 748 000	2 748 000		-	100 %	19 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(39 069 000)</b>	<b>4 187 000</b>	<b>(34 882 000)</b>	-		<b>(34 882 000)</b>	<b>17 461 056</b>		<b>52 343 056</b>	<b>(50)%</b>	<b>(45)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(39 069 000)</b>	<b>4 187 000</b>	<b>(34 882 000)</b>	-		<b>(34 882 000)</b>	<b>17 461 056</b>		<b>52 343 056</b>	<b>(50)%</b>	<b>(45)%</b>

# West Rand District Municipality Group

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Trading as West Rand District Municipality Group

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## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Economic entity - 2019</b>				
<b>Financial Performance</b>				
Service charges				1 799 032
Investment revenue				596 176
Transfers recognised - operational				273 183 632
Other own revenue				27 908 268
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>303 487 108</b>
Employee costs	-	-	-	(178 886 483)
Remuneration of councillors	-	-	-	(13 705 591)
Debt impairment	-	-	-	(841 819)
Depreciation and asset impairment	-	-	-	(7 339 199)
Finance charges	-	-	-	(14 398 779)
Transfers and grants	-	-	-	(8 744 340)
Other expenditure	-	-	-	(46 566 014)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(270 482 225)</b>
<b>Surplus/(Deficit)</b>				<b>33 004 883</b>
Contributions recognised - capital and contributed assets				254 590
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>33 259 473</b>
<b>Surplus/(Deficit) for the year</b>				<b>33 259 473</b>

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Controlling entity - 2020</b>											
<b>Financial Performance</b>											
Service charges	-	-	-	-	-	-	1 558 880	-	1 558 880	DIV/0 %	DIV/0 %
Interest earned	-	120 000	120 000	-	-	120 000	769 237	-	649 237	641 %	DIV/0 %
Transfers recognised - operational	207 828 000	22 015 000	229 843 000	-	-	229 843 000	268 418 550	-	38 575 550	117 %	129 %
Other own revenue	11 128 000	(1 550 000)	9 578 000	-	-	9 578 000	24 520 084	-	14 942 084	256 %	220 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>218 956 000</b>	<b>20 585 000</b>	<b>239 541 000</b>	-	-	<b>239 541 000</b>	<b>295 266 751</b>	-	<b>55 725 751</b>	<b>123 %</b>	<b>135 %</b>
Employee costs	(180 354 000)	(6 697 000)	(187 051 000)	-	-	(187 051 000)	(181 590 505)	-	5 460 495	97 %	101 %
Remuneration of councillors	(14 643 000)	712 000	(13 931 000)	-	-	(13 931 000)	(13 243 521)	-	687 479	95 %	90 %
Debt impairment	-	-	-	-	-	-	(8 239 732)	-	(8 239 732)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(7 000 000)	-	(7 000 000)	-	-	(7 000 000)	(6 418 547)	-	581 453	92 %	92 %
Finance charges	(1 564 000)	(30 000)	(1 594 000)	-	-	(1 594 000)	(9 469 575)	-	(7 875 575)	594 %	605 %
Transfers and grants	(12 640 000)	4 392 000	(8 248 000)	-	-	(8 248 000)	(7 444 069)	-	803 931	90 %	59 %
Other expenditure	(56 874 000)	1 840 000	(55 034 000)	-	-	(55 034 000)	(49 226 623)	-	5 807 377	89 %	87 %
<b>Total expenditure</b>	<b>(273 075 000)</b>	<b>217 000</b>	<b>(272 858 000)</b>	-	-	<b>(272 858 000)</b>	<b>(275 632 572)</b>	<b>(2 774 572)</b>	<b>(2 774 572)</b>	<b>101 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>(54 119 000)</b>	<b>20 802 000</b>	<b>(33 317 000)</b>	-	-	<b>(33 317 000)</b>	<b>19 634 179</b>	-	<b>52 951 179</b>	<b>(59)%</b>	<b>(36)%</b>

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 748 000	(12 000 000)	2 748 000	-		2 748 000	2 244 864		(503 136)	82 %	15 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(39 371 000)</b>	<b>8 802 000</b>	<b>(30 569 000)</b>	-		<b>(30 569 000)</b>	<b>21 879 043</b>		<b>52 448 043</b>	<b>(72)%</b>	<b>(56)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(39 371 000)</b>	<b>8 802 000</b>	<b>(30 569 000)</b>	-		<b>(30 569 000)</b>	<b>21 879 043</b>		<b>52 448 043</b>	<b>(72)%</b>	<b>(56)%</b>
<b>Cash flows</b>											
Net cash from (used) operating	20 506 000	(17 151 000)	3 355 000	-		3 355 000	11 779 468		8 424 468	351 %	57 %
Net cash from (used) investing	(24 739 000)	18 878 000	(5 861 000)	-		(5 861 000)	(17 999)		5 843 001	- %	- %
Net cash from (used) financing	-	-	-	-		-	(13 216 569)		(13 216 569)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4 233 000)</b>	<b>1 727 000</b>	<b>(2 506 000)</b>	-		<b>(2 506 000)</b>	<b>(1 455 100)</b>		<b>1 050 900</b>	<b>58 %</b>	<b>34 %</b>
Cash and cash equivalents at the beginning of the year	4 233 000	(1 727 000)	2 506 000	-		2 506 000	2 500 573		(5 427)	100 %	59 %
<b>Cash and cash equivalents at year end</b>	<b>-</b>	<b>-</b>	<b>-</b>	-		<b>-</b>	<b>1 045 473</b>		<b>(1 045 473)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

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## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Controlling entity - 2019</b>				
<b>Financial Performance</b>				
Service charges				1 799 032
Interest earned				411 298
Transfers recognised - operational				273 183 632
Other own revenue				27 556 319
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>302 950 281</b>
Employee costs	-	-	-	(176 417 337)
Remuneration of councillors	-	-	-	(13 020 091)
Debt impairment	-	-	-	(841 819)
Depreciation and asset impairment	-	-	-	(7 179 266)
Finance charges	-	-	-	(14 257 417)
Transfers and grants	-	-	-	(13 144 340)
Other expenditure	-	-	-	(43 843 667)
<b>Total expenditure</b>	-	-	-	<b>(268 703 937)</b>
<b>Surplus/(Deficit)</b>				<b>34 246 344</b>
Contributions recognised - capital and contributed assets				254 590
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>34 500 934</b>
<b>Surplus/(Deficit) for the year</b>				<b>34 500 934</b>

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### Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				24 435 928
Net cash from (used) investing				(35 257)
Net cash from (used) financing				(15 547 021)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>8 853 650</b>
Cash and cash equivalents at the beginning of the year				(6 353 077)
<b>Cash and cash equivalents at year end</b>				<b>2 500 573</b>

# West Rand District Municipality Group

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## Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019	2020	2019

### 1. Presentation of Annual Financial Statements

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

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

The municipality and its entity have complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. Data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgement and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

### Provisions

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

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Post-retirement benefits

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

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

Other key assumptions for post medical aid retirement obligations are based on current market conditions. Additional information is disclosed in Note 16.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 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.

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

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

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

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

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



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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Investment property (continued)

#### Fair value

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

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

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

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

### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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:

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	7 - 30 years
Leasehold property	Straight-line	5 - 20 years
Plant and machinery	Straight-line	3 -17 years
Furniture and fixtures	Straight-line	5 - 20 years
Motor vehicles	Straight-line	
Specialised vehicles	Straight-line	5 - 20 years
Other vehicles	Straight-line	3 - 20 years
Office equipment	Straight-line	3 -17 years
Roads and stormwater	Straight-line	20 - 30 years
Water	Straight-line	20 - 30 years
Community	Straight-line	20 - 30 years
Emergency equipment	Straight-line	5 - 15 years
Watercraft	Straight-line	20 - 30 years

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## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

Security measures	Straight-line	5 - 15 years
Other leased assets	Straight-line	2 - 3 years

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

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

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

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

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

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

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

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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## Accounting Policies

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### 1.8 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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### 1.9 Investments in controlled entities

#### Controlling entity annual financial statements

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried at cost.

The WRDA was established to promote tourism and attract investment in the West Rand region.

The total investment in WRDA, comprises of assets transferred on establishment of the Agency. The assets are accounted for in line with GRAP 34 - Separate Financial Statements. Reference should be made to paragraph 10 of GRAP 34 which states that:

"When an entity prepares separate financial statements, it shall account for similar investments in controlled entities, joint venture and associates either:

- (a) at cost
- (b) accordance with GRAP 104; or
- (c) using the equity method as described in GRAP 36

The investment in WRDA is accounted for appropriately at cost in accordance with GRAP 34, paragraph 10, sub-section (a).

### 1.10 Financial instruments

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

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

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

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

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## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Classification

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

Class	Category
Long term receivables	Financial asset measured at cost
Receivables from exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Transfers payable (non-exchange)	Financial liability measured at cost
Unspent conditional grants and receipts	Financial liability measured at cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

### 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.

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of:

- (a) the minimum lease payments; and
- (b) the unguaranteed residual value

to be equal to the sum of (i) the fair value of the leased asset; and (ii) any initial direct costs of the lessor.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment and the International Accounting Standard on Intangible Assets. If there is no reasonable certainty that the lessee will obtain ownership.

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

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### 1.11 Leases (continued)

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

### 1.12 Inventories

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

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

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

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

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

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

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

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

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 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single coordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled economic entity acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

The municipality will be in a process to disestablish its entity subsequent to year end. The entity was not acquired with a view to resale.

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### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### Designation

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

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

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

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

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### Reversal of an impairment loss

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

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

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

### 1.15 Employee benefits

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

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

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

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

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

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



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### 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.15 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 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.

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

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

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

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

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

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

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### 1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

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

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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### 1.18 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 entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

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

#### Rendering of services

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

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

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

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

#### Interest, royalties and dividends

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

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

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

### 1.19 Revenue from non-exchange transactions

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

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

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

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

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### 1.19 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

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

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

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

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

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

#### Recognition

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

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

#### 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.

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### 1.19 Revenue from non-exchange transactions (continued)

#### Grants and subsidies in-kind

Grants and subsidies in kind are recognised as 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.

### 1.20 Investment income

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

### 1.21 Comparative figures

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

### 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.

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

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

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

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

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

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### 1.24 Irregular expenditure (continued)

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

### 1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

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

### 1.26 Related parties

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

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

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

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

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

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

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

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

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



# West Rand District Municipality Group

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## Accounting Policies

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### 1.27 Events after reporting date

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

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

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

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.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The economic entity expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.

### 3. Inventories

Consumable stores	90 108	99 093	90 108	99 093
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### 4. Receivables from exchange transactions

Contributions from local municipalities	16 025 800	28 925 800	16 025 800	28 925 800
Other receivables	-	29 997	-	-
Other consumer debtors	4 936 944	4 624 283	4 936 944	4 624 283
Fire debtors	3 691 891	3 691 801	3 691 891	3 691 801
Impairment of Receivables	(16 187 342)	(7 947 610)	(16 187 342)	(7 947 610)
	<b>8 467 293</b>	<b>29 324 271</b>	<b>8 467 293</b>	<b>29 294 274</b>

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 4. Receivables from exchange transactions (continued)

#### Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R 24 654 635 (2019: R 24 654 635) were impaired and provided for.

The amount of the provision was R (16 187 342) as of 30 June 2020 (2019: R (7 947 610)).

The ageing of these loans is as follows:

3 to 6 months	415 622	807 610	415 622	807 610
Over 6 months	15 771 720	7 140 000	15 771 720	7 140 000

### 5. VAT receivable

VAT	3 885 047	4 648 721	5 514 867	6 069 789
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The amount relates to amounts receivable from SARS as at 30 June 2020.

### 6. Non-current assets held for sale

Non-current assets held for sale	290 120	288 304	290 120	288 304
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The municipality planned to proceed with the sale of non-current assets which was scheduled to be auctioned on 27 March 2020 but due to the lockdown regulations announced by the President on 23 March 2020 the process could not unfold. The municipality will be proceeding with the anticipated auction during 2020/2021 financial year.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 551	7 856	7 116	7 505
Bank balances	219 536	2 742 396	193 904	2 490 102
Short-term deposits	4 254 264	4 513 755	844 453	2 966
	<b>4 481 351</b>	<b>7 264 007</b>	<b>1 045 473</b>	<b>2 500 573</b>

The cash and cash equivalents held by the municipality not available for use by the municipality are unspent grant funds as at 30 June 2020 for the RRAMS grant. The funds are ring-fenced under the FNB call account which can be accessed on demand.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 7. Cash and cash equivalents (continued)

The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank - Corporate (WRDM)	109 039	2 438 145	-	124 817	2 443 190	-
Standard Bank - Corporate (WRDM)	69 353	47 180	(6 356 424)	69 353	47 180	(6 356 312)
Standard Bank - Call Account (WRDM)	2 967	2 967	2 967	2 967	2 967	2 967
First National Bank - Call Account (WRDM)	841 486	-	-	841 486	-	-
Petty Cash (WRDM)	-	-	-	7 150	7 205	398
Heritage Account - (WRDM)	-	-	(93)	-	-	(93)
First National Bank - Corporate (WRDA)	24 322	(2 322)	-	25 632	(2 322)	-
Standard Bank - Call Account (WRDA)	3 409 811	-	-	3 409 811	-	-
Standard Bank - Current (WRDA)	-	114 160	2 097 124	-	254 619	2 097 124
Standard Bank - Call Account (WRDA)	-	4 510 789	1 683	-	4 510 789	1 683
Petty Cash (WRDA)	-	-	-	435	351	695
<b>Total</b>	<b>4 456 978</b>	<b>7 110 919</b>	<b>(4 254 743)</b>	<b>4 481 651</b>	<b>7 263 979</b>	<b>(4 253 538)</b>

### 8. Biological assets that form part of an agricultural activity

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets 1 - Consumable	264 287	-	264 287	331 058	-	331 058

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Flowers	264 287	-	264 287	331 058	-	331 058

### Reconciliation of biological assets that form part of an agricultural activity - Controlling entity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	331 058	(66 771)	264 287

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 8. Biological assets that form part of an agricultural activity (continued)

#### Reconciliation of biological assets that form part of an agricultural activity - Controlling entity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	338 212	(7 154)	331 058

#### Non-financial information

##### Quantities of each biological asset

Biological assets - Flowers	-	-	198 000	214 080
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The municipality performed a physical verification of all biological assets at 30 June 2020.

A register of all biological assets is available at the Local Economic Development (LED) office of the WRDM for inspection.

#### Methods and assumptions used in determining fair value

The fair value of the different varieties of plants (flowers) were determined by the Multiflora Auction Market. Multiflora Auction Market is the outlet through which the flowers are sold. The decrease in fair value is due to less flowers planted which were valued at year-end compared to the previous financial year.

### 9. Investment property

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 900 000	-	6 900 000	5 600 000	-	5 600 000

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 900 000	-	6 900 000	5 600 000	-	5 600 000

#### Reconciliation of investment property - Economic entity - 2020

	Opening balance	Fair value adjustments	Total
Investment property	5 600 000	1 300 000	6 900 000

# West Rand District Municipality Group

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 9. Investment property (continued)

#### Reconciliation of investment property - Economic entity - 2019

	Opening balance	Fair value adjustments	Total
Investment property	5 100 000	500 000	5 600 000

#### Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Fair value adjustments	Total
Investment property	5 600 000	1 300 000	6 900 000

#### Reconciliation of investment property - Controlling entity - 2019

	Opening balance	Fair value adjustments	Total
Investment property	5 100 000	500 000	5 600 000

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

#### Amounts recognised in surplus or deficit

##### From investment property that generated rental revenue

Rental revenue	835 514	705 941	835 514	705 941
Expenses incurred for the year	(143 082)	(121 498)	(143 082)	(121 498)
	<b>692 432</b>	<b>584 443</b>	<b>692 432</b>	<b>584 443</b>

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### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 118 881	-	12 118 881	12 118 881	-	12 118 881
Buildings	43 432 223	(31 791 617)	11 640 606	43 432 223	(31 096 452)	12 335 771
Plant and machinery	4 621 097	(4 426 238)	194 859	4 776 571	(4 513 106)	263 465
Furniture and fixtures	5 229 785	(4 772 479)	457 306	5 274 343	(4 653 675)	620 668
Motor vehicles	13 744 595	(12 572 195)	1 172 400	13 744 595	(12 311 346)	1 433 249
Infrastructure	8 684 377	(6 898 045)	1 786 332	8 684 377	(4 518 506)	4 165 871
IT equipment	282 645	(274 229)	8 416	292 745	(269 100)	23 645
Emergency equipment	3 061 553	(2 955 362)	106 191	3 464 909	(3 339 272)	125 637
Other property, plant and equipment	20 338	(18 353)	1 985	20 340	(18 059)	2 281
Electrical equipment	152 259	(76 656)	75 603	152 259	(71 056)	81 203
Office equipment	12 414 924	(11 790 624)	624 300	12 426 833	(11 614 861)	811 972
Security measures	9 034 194	(8 598 715)	435 479	9 034 194	(8 083 177)	951 017
Leased assets	88 164	(88 164)	-	88 164	(88 164)	-
Roads	1 683 600	(1 409 915)	273 685	1 683 600	(1 388 884)	294 716
Electrical reticulation	325 590	(287 737)	37 853	325 590	(285 636)	39 954
Leased computer equipment	-	-	-	203 327	(191 813)	11 514
Finance lease fire engines and rescue vehicles	-	-	-	34 763 519	(4 320 191)	30 443 328
Specialised vehicles	39 741 658	(8 794 986)	30 946 672	4 978 137	(2 163 807)	2 814 330
Community facilities	9 757 656	(5 048 809)	4 708 847	9 757 656	(4 700 005)	5 057 651
<b>Total</b>	<b>164 393 539</b>	<b>(99 804 124)</b>	<b>64 589 415</b>	<b>165 222 263</b>	<b>(93 627 110)</b>	<b>71 595 153</b>

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### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 425 001	-	1 425 001	1 425 001	-	1 425 001
Buildings	37 529 231	(26 638 229)	10 891 002	37 529 231	(25 975 628)	11 553 603
Plant and machinery	4 383 844	(4 202 557)	181 287	4 542 331	(4 299 196)	243 135
Furniture and fixtures	4 713 071	(4 317 306)	395 765	4 754 471	(4 225 375)	529 096
Motor vehicles	13 744 595	(12 572 195)	1 172 400	13 744 595	(12 311 346)	1 433 249
Infrastructure	8 684 377	(6 898 045)	1 786 332	8 684 377	(4 518 506)	4 165 871
Security measures	5 061 649	(4 887 784)	173 865	5 061 649	(4 874 905)	186 744
Emergency equipments	3 061 553	(2 955 362)	106 191	3 464 909	(3 339 272)	125 637
Other property, plant and equipment	20 338	(18 353)	1 985	20 340	(18 059)	2 281
Electrical equipment	152 259	(76 656)	75 603	152 259	(71 056)	81 203
Office equipment	12 414 924	(11 790 624)	624 300	12 426 833	(11 614 861)	811 972
Finance lease fire engines and rescue vehicles	-	-	-	34 763 519	(4 320 191)	30 443 328
Leased Computer equipment	-	-	-	203 327	(191 813)	11 514
Specialised vehicles	39 741 658	(8 794 986)	30 946 672	4 978 137	(2 163 807)	2 814 330
Community Facilities	9 757 656	(5 048 809)	4 708 847	9 757 656	(4 700 005)	5 057 651
<b>Total</b>	<b>140 690 156</b>	<b>(88 200 906)</b>	<b>52 489 250</b>	<b>141 508 635</b>	<b>(82 624 020)</b>	<b>58 884 615</b>

#### Reconciliation of property, plant and equipment - Economic entity - 2020



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Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	12 118 881	-	-	-	-	-	12 118 881
Buildings	12 335 771	-	-	-	(695 165)	-	11 640 606
Plant and machinery	263 465	7 000	(71)	-	(75 535)	-	194 859
Furniture and fixtures	620 668	-	(366)	-	(162 996)	-	457 306
Motor vehicles	1 433 249	-	-	-	(260 849)	-	1 172 400
Infrastructure	4 165 871	-	-	-	(415 167)	(1 964 372)	1 786 332
IT equipment	23 645	-	(2)	-	(15 227)	-	8 416
Emergency equipment	125 637	-	-	-	(19 446)	-	106 191
Other property, plant and equipment	2 281	-	(831)	-	535	-	1 985
Electrical equipment	81 203	-	-	-	(5 600)	-	75 603
Office equipment	811 972	17 999	(549)	11 512	(216 634)	-	624 300
Security measures	951 017	-	-	-	(53 240)	(462 298)	435 479
Roads	294 716	-	-	-	(21 031)	-	273 685
Electrical reticulation	39 954	-	-	-	(2 101)	-	37 853
Leased computer equipment	11 514	-	-	(11 514)	-	-	-
Finance lease fire engines and rescue vehicles	30 443 328	-	-	(29 499 724)	(943 604)	-	-
Specialised vehicles	2 814 330	-	-	29 499 724	(1 367 382)	-	30 946 672
Community facilities	5 057 651	-	-	-	(348 804)	-	4 708 847
	<b>71 595 153</b>	<b>24 999</b>	<b>(1 819)</b>	<b>(2)</b>	<b>(4 602 246)</b>	<b>(2 426 670)</b>	<b>64 589 415</b>

## West Rand District Municipality Group

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### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	12 118 881	-	-	-	12 118 881
Buildings	14 015 538	-	(27 193)	(1 652 574)	12 335 771
Plant and machinery	390 174	-	-	(126 709)	263 465
Furniture and fixtures	814 561	4 347	-	(198 240)	620 668
Motor vehicles	2 324 145	-	-	(890 896)	1 433 249
Infrastructure	4 699 741	-	-	(533 870)	4 165 871
IT equipment	16 037	16 850	-	(9 242)	23 645
Emergency equipment	212 883	-	-	(87 246)	125 637
Other property, plant and equipment	2 847	-	-	(566)	2 281
Electrical equipment	89 661	-	-	(8 458)	81 203
Office equipment	1 081 000	271 470	-	(540 498)	811 972
Security measures	1 125 282	-	-	(174 265)	951 017
Roads	315 747	-	-	(21 031)	294 716
Electrical reticulation	42 055	-	-	(2 101)	39 954
Leased Computer equipment	79 288	-	-	(67 774)	11 514
Finance lease fire engines and rescue vehicles	32 181 504	-	-	(1 738 176)	30 443 328
Specialised vehicles	3 366 161	-	-	(551 831)	2 814 330
Community facilities	5 793 309	-	-	(735 658)	5 057 651
	<b>78 668 814</b>	<b>292 667</b>	<b>(27 193)</b>	<b>(7 339 135)</b>	<b>71 595 153</b>

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#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 425 001	-	-	-	-	-	1 425 001
Buildings	11 553 603	-	-	-	(662 601)	-	10 891 002
Plant and machinery	243 135	7 000	(71)	-	(68 793)	-	181 287
Furniture and fixtures	529 096	-	(365)	-	(132 954)	-	395 765
Motor vehicles	1 433 249	-	-	-	(260 849)	-	1 172 400
Infrastructure	4 165 871	-	-	-	(415 167)	(1 964 372)	1 786 332
Security measures	186 744	-	-	-	(12 879)	-	173 865
Emergency equipment	125 637	-	-	-	(18 617)	-	106 191
Other property, plant and equipment	2 281	-	(831)	-	(294)	-	1 985
Electrical equipment	81 203	-	-	-	(5 600)	-	75 603
Office equipment	811 972	17 999	(549)	11 512	(216 630)	-	624 300
Finance lease fire engines and rescue vehicles	30 443 328	-	-	(29 499 724)	(943 604)	-	-
Leased Computer equipment	11 514	-	-	(11 514)	-	-	-
Specialised vehicles	2 814 330	-	-	29 499 724	(1 367 382)	-	30 946 672
Community facilities	5 057 651	-	-	-	(348 804)	-	4 708 847
	<b>58 884 615</b>	<b>24 999</b>	<b>(1 816)</b>	<b>-</b>	<b>(4 454 174)</b>	<b>(1 964 372)</b>	<b>52 489 250</b>

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### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Depreciation	Total
Land	1 425 001	-	-	1 425 001
Buildings	13 172 484	-	(1 618 881)	11 553 603
Plant and machinery	347 028	-	(103 893)	243 135
Furniture and fixtures	692 364	4 347	(167 615)	529 096
Motor vehicles	2 324 145	-	(890 896)	1 433 249
Infrastructure	4 699 741	-	(533 870)	4 165 871
Security measures	320 648	-	(133 904)	186 744
Emergency equipment	212 883	-	(87 246)	125 637
Other property, plant and equipment	2 847	-	(566)	2 281
Electrical equipment	89 661	-	(8 458)	81 203
Office equipment	1 081 000	271 470	(540 498)	811 972
Finance lease fire engines and rescue vehicles	32 181 504	-	(1 738 176)	30 443 328
Leased Computer equipment	79 289	-	(67 775)	11 514
Specialised vehicles	3 366 160	-	(551 830)	2 814 330
Community Facilities	5 793 309	-	(735 658)	5 057 651
	<b>65 788 064</b>	<b>275 817</b>	<b>(7 179 266)</b>	<b>58 884 615</b>

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

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### Notes to the Annual Financial Statements

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#### 11. Intangible assets

Economic entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 828 227	(2 828 223)	4	2 828 227	(2 828 223)	4

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 716 412	(2 716 409)	3	2 716 412	(2 716 409)	3

#### Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Total
Computer software	3	3

#### Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Total
Computer software	3	3

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 12. Long-term Receivables

Study assistance	254 916	254 916	254 916	254 916
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Long term receivables comprises of study assistance that were previously allocated to employees in accordance with Council approved policy. The study assistance has since been abolished on implementation of cost containment.

There were no movements from the previous year due to the nature of the study loan agreement that recoveries or write-offs will only be effected upon confirmation on the progress of studies on a study term basis.

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	-	13 216 569	-	13 216 569
	-	13 216 569	-	13 216 569
less: future finance charges	-	(377 057)	-	(377 057)
<b>Present value of minimum lease payments</b>	-	<b>12 839 512</b>	-	<b>12 839 512</b>

#### Present value of minimum lease payments due

- within one year	-	12 839 512	-	12 839 512
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It is municipality policy to lease certain property, plant and equipment under finance leases.

### 14. Payables from exchange transactions

Trade payables (1)	47 900 314	39 084 651	44 485 234	38 268 056
Debtors with credit balances	40 787	40 787	40 787	40 787
Income received in advance	22 825	-	-	-
Third parties outstanding (2)	10 998 622	274 122	10 998 622	144 200
Leave payable	24 011 568	24 523 719	23 852 037	24 375 581
Stock in transit	14 096	14 096	14 096	14 096
	<b>82 988 212</b>	<b>63 937 375</b>	<b>79 390 776</b>	<b>62 842 720</b>

(1) The significant movement in payables balance is due to cash flow challenges faced by the municipality. The municipality is presently implementing the financial recovery plan. The municipality negotiated with all its creditors to implement an extended payment plan linked to the dates of receipt of the equitable share.

(2) The significant movement in third parties outstanding was due to the delayed payments of pension fund contributions, medical aid contributions and PAYE that was owed as at 30 June 2020.

### 15. Transfers payable (non-exchange)

Transfers payable	32 444 344	32 444 344	30 444 344	30 444 344
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Transfers payable amount relates to amount received from Provincial Human Settlements in terms of implementation protocol and the unspent portion is payable to Gauteng Department of Human Settlements. The funds were withheld with VBS Mutual Bank which was placed under curatorship from 11 March 2018.

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	2020	2019	2020	2019

### 16. Employee benefit obligations

#### Defined benefit plan

Post-Retirement Medical Plan Obligation	2 315 936	2 494 905	2 315 936	2 494 905
Post-Retirement Medical Obligation	42 995 442	53 786 591	42 995 442	53 786 591
	<b>45 311 378</b>	<b>56 281 496</b>	<b>45 311 378</b>	<b>56 281 496</b>

An actuarial valuation has been performed of the liability in respect of post-employment medical aid benefits to employees and retirees of the WRDM, and to their registered dependents as at 30 June 2020. An independent Actuarial Valuer, which is One Pangaea Financial was appointed by the Municipality to perform these valuations. The company is practicing according to the conditions and requirements of the Actuarial Society of South Africa. D.T. Mureriwa is a qualified member of the Actuarial Society of South Africa.

The valuation considers all employees, retired employees and their dependents who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The post-employment medical aid subsidy liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability. The Accounting Standards require that an employer's liability be based on the cost of the benefits provided by the employer.

The Medical Schemes Act 1998 enforces community ratings which means that the contributions payable by retirees are the same as those paid by younger members. The employer's cost can therefore be taken as the expected contributions only, as opposed to the expected cost of actual medical aid benefits.

#### Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid scheme, most of which offers a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-on-retirement the surviving dependents may continue membership of the medical scheme.

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

Opening balance	56 281 496	56 594 036	56 281 496	56 594 036
Benefits paid	(2 494 905)	(1 666 873)	(2 494 905)	(1 666 873)
Net expense recognised in the statement of financial performance	(8 475 213)	1 354 333	(8 475 213)	1 354 333
	<b>45 311 378</b>	<b>56 281 496</b>	<b>45 311 378</b>	<b>56 281 496</b>

#### Net expense recognised in the statement of financial performance

Current service cost	2 784 750	2 886 074	2 784 750	2 886 074
Interest cost	5 883 139	9 243 129	5 883 139	9 243 129
Actuarial (gains) losses	(17 143 102)	(10 774 870)	(17 143 102)	(10 774 870)
	<b>(8 475 213)</b>	<b>1 354 333</b>	<b>(8 475 213)</b>	<b>1 354 333</b>

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### 16. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,36 %	10,69 %	13,36 %	10,69 %
Health care cost inflation	9,08 %	7,99 %	9,08 %	7,99 %
Consumer price inflation	7,58 %	6,49 %	7,58 %	6,49 %
Net discount rate	3,92 %	2,50 %	3,92 %	2,50 %

#### Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

#### Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

#### Financial Assumptions

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 13.36% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2020.

#### Key Demographic Assumptions

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependents.

It has been assumed that female spouses will be four years younger than their male counterparts. Further, we have assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependent. For current retiree members, actual marital status was used and the potential for remarriage was ignored.



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	2020	2019	2020	2019

### 16. Employee benefit obligations (continued)

#### Other assumptions

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

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	7 439 398	8 833 305	7 439 398	8 833 305
Effect on defined benefit obligation	40 110 284	51 696 407	40 110 284	51 696 407

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	45 311 378	56 281 496	56 594 036	51 940 686	53 364 877

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### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Gauteng Department of Agriculture And Rural Development (1)	-	5 633 395	-	5 633 395
Neighborhood development partnership grant (2)	-	14 196 560	-	14 196 560
Fire brigade service grant (3)	-	20 108 423	-	20 108 423
Disaster management grant (4)	-	7 876 550	-	7 876 550
Rural Roads Asset Management Systems grant (5)	503 136	-	503 136	-
HIV/ Aids grant (6)	814 983	-	814 983	-
	<b>1 318 119</b>	<b>47 814 928</b>	<b>1 318 119</b>	<b>47 814 928</b>

#### Movement during the year

Balance at the beginning of the year	47 814 928	44 586 560	47 814 928	44 586 560
Additions during the year	229 800 000	276 412 000	229 800 000	276 412 000
Repayments of unspent grants during the year	(5 633 395)	-	(5 633 395)	-
Income recognition during the year	(270 663 414)	(273 183 632)	(270 663 414)	(273 183 632)
	<b>1 318 119</b>	<b>47 814 928</b>	<b>1 318 119</b>	<b>47 814 928</b>

(1) This grant was transferred to the Municipality during April 2018. The municipality transferred this amount to WRDA during May 2018 to assist with operationalising the Milling Plant. Further R4 million was received during the year under review (2018/2019), however the funds were not sufficient to cover the scope required to operationalise the milling plant. Therefore the funds were returned back to Provincial government revenue fund net of the electricity and security cost incurred between 1 July 2018 to June 2019.

(2) The funds are withheld with VBS Mutual Bank which is presently under curatorship from 11 March 2018. The Municipality entered into a repayment arrangement with National Treasury which the amounts unspent were offset in three equal installment against equitable share. The last installment of R14.1 million was paid in July 2019.

(3) This grant was transferred on May 2019 and is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. In terms of the agreement between CoGTA and the Municipality this is a multi-year grant. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease and to finance other operational requirements. The funds were utilised during the 2019/20 financial year for its intended purpose.

(4) This grant was transferred to the municipality on June 2019 and is used to assist with the disaster management issues within West Rand region. In terms of the agreement between CoGTA and the Municipality this is a multi-year grant. The funds were utilised during the 2019/20 financial year for its intended purpose.

(5) This grant was transferred to the municipality to assist with the improve asset management at rural and farming areas. The service provider was appointed during the year, but due to the COVID-19 lockdown regulations, the service provider could not work and thus, the WRDM could not spend.

(6) Mogale City Local Municipality and Merapong City Local Municipality had unspent funds due to projects funded by the grant being stopped during the COVID-19 lockdown period. The funds are cash-backed by the local municipalities.

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	2020	2019	2020	2019

### 18. Provisions

#### Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Reversed during the year	Interest charged	Total
Arbitration awards (1)	-	1 843 824	-	-	1 843 824
Long Service Award provision (2)	14 700 897	621 209	-	-	15 322 106
Performance Bonus (3)	934 067	-	(101 798)	-	832 269
Department of labour assessment provision (4)	8 173 698	1 149 450	-	188 758	9 511 906
Interest on pension funds (5)	205 635	-	-	171 589	377 224
	<b>24 014 297</b>	<b>3 614 483</b>	<b>(101 798)</b>	<b>360 347</b>	<b>27 887 329</b>

#### Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Interest charged	Total
Long Service Award provision (2)	13 529 247	1 171 650	-	-	-	14 700 897
Performance Bonus (3)	1 135 660	-	-	(201 593)	-	934 067
Department of labour assessment provision (4)	7 792 538	1 159 070	(900 000)	-	122 090	8 173 698
Interest on pension funds (5)	-	205 635	-	-	-	205 635
	<b>22 457 445</b>	<b>2 536 355</b>	<b>(900 000)</b>	<b>(201 593)</b>	<b>122 090</b>	<b>24 014 297</b>

Non-current liabilities	13 695 236	13 164 642	13 695 236	13 164 642
Current liabilities	14 192 093	10 849 655	14 192 093	10 849 655
	<b>27 887 329</b>	<b>24 014 297</b>	<b>27 887 329</b>	<b>24 014 297</b>

(1) Arbitration awards relates to the cases awarded to the defendants due to labour disputes.

(2) Long service award provision relates to benefits granted to employees for working with the municipality for 20 years or more.

(3) Performance bonus provision relates to the performance awarded to Section 56 managers calculated at 14% of the total cost to company.

(4) The Department of Labour introduced a new system during the financial year, and correspondence on amounts outstanding sent to municipality. The municipality entered into an arrangement to settle the balance outstanding. At year end, the system could not generate a new assessment due to arrangements in place. The total provision by the municipality is based on 1% of basic earnings.

(5) Interest provision relates to interest charged by pension funds due to late payments.

#### Arbitration awards

These relates to awards on labour disputes in favour of employees:

Arbitration awards through court order	1 843 824	-	1 843 824	-
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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>18. Provisions (continued)</b>				
<b>Long service awards</b>				
Opening accrued liability	14 700 897	13 529 247	14 700 897	13 529 247
Current service cost	1 034 560	902 257	1 034 560	902 257
Current interest	1 149 453	1 159 884	1 149 453	1 159 884
Expected benefits paid	(1 536 255)	(1 225 881)	(1 536 255)	(1 225 881)
Actuarial gain/ (loss) over financial year	(26 549)	335 390	(26 549)	335 390
	<b>15 322 106</b>	<b>14 700 897</b>	<b>15 322 106</b>	<b>14 700 897</b>

### Performance bonus

This relates to bonuses for section 56 managers:

Opening liability accrued	9 344 067	1 135 660	934 067	1 135 660
Movement based on year end provision	(101 798)	(201 593)	(101 798)	(201 593)
	<b>9 242 269</b>	<b>934 067</b>	<b>832 269</b>	<b>934 067</b>

### Department of labour assessment provision

This relates to provision for workmen's compensation:

Opening liability accrued	8 173 698	7 792 538	8 173 698	7 792 538
1% of basic earnings	1 149 450	1 159 070	1 149 450	1 159 070
Payment	-	(900 000)	-	(900 000)
Interest charged	188 758	122 090	188 758	122 090
	<b>9 511 906</b>	<b>8 173 698</b>	<b>9 511 906</b>	<b>8 173 698</b>

### Employee benefit cost provision

This relates to interest on late payments to benefit funds:

Opening liability accrued	205 635	-	205 635	-
Interest charged on late payments	171 589	205 635	171 589	205 635
	<b>377 224</b>	<b>205 635</b>	<b>377 224</b>	<b>205 635</b>

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	2020	2019	2020	2019
<b>19. Service charges</b>				
Electricity on properties rented out	611 075	553 216	611 075	553 216
Fire and rescue services	910 531	1 245 816	910 531	1 245 816
Other service charges	37 274	-	37 274	-
	<b>1 558 880</b>	<b>1 799 032</b>	<b>1 558 880</b>	<b>1 799 032</b>

### 20. Rental of facilities and equipment

#### Premises

Premises	51 173	53 739	-	-
Venue hire	60 650	-	-	-
	<b>111 823</b>	<b>53 739</b>	-	-

#### Facilities and equipment

Rental of facilities (Shops and BP garage)	1 809 186	1 863 238	1 654 556	1 572 181
Parking spaces	184 671	178 114	175 816	178 114
	<b>1 993 857</b>	<b>2 041 352</b>	<b>1 830 372</b>	<b>1 750 295</b>
	<b>2 105 680</b>	<b>2 095 091</b>	<b>1 830 372</b>	<b>1 750 295</b>

### 21. Licences and permits (exchange)

Atmospheric air quality licensing	117 272	421 739	117 272	421 739
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### 22. Recoveries

Recovery - MGF (1)	-	5 226	-	5 226
Recovery - Municipal expenditure (2)	7 611	172 065	7 611	172 065
	<b>7 611</b>	<b>177 291</b>	<b>7 611</b>	<b>177 291</b>

(1) This amount relates to the court settlement in respect of the fraud case which was opened against a former employee of the Municipality. The respective employee was dismissed during 2011/ 2012 financial period.

(2) This amount relates to funds recovered from employees as a result of expenditure incurred by the municipality due to employee negligence.

### 23. Operating income

Contributions from local municipalities (1)	-	13 300 000	-	13 300 000
Commission	73 359	80 687	73 359	80 687
Sale of plants	9 519	1 234	9 519	1 234
LG Seta Grant (2)	3 545 575	189 145	3 545 575	189 145
	<b>3 628 453</b>	<b>13 571 066</b>	<b>3 628 453</b>	<b>13 571 066</b>

(1) Contributions from local municipalities relates to contributions made for the regional transformation supporting the West Rand region to become Metro in future. Due to the implementation of the financial recovery plan to cease the subsidy paid to the municipal entity, no municipalities were for regional contributions.

(2) The amount received from LG SETA relates to amounts claimed training of staff members and stipends paid to interns.

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	2020	2019	2020	2019
<b>24. Interest earned</b>				
<b>Interest revenue</b>				
Favourable bank balance	597 455	596 176	460 445	411 298
Call account	308 792	-	308 792	-
Interest received - other	68 796	-	-	-
	<b>975 043</b>	<b>596 176</b>	<b>769 237</b>	<b>411 298</b>

The amount included in Investment revenue arising from non-exchange transactions amounted to R 769 237. The call account was opened with the intention of ring-fencing conditional grants. Funds in the call account are available on demand.

### 25. Actuarial gains/ losses

Actuarial gains/ losses is made up of the following;

Long service award	26 549	(335 390)	26 549	(335 390)
Post Employment Medical Subsidy	17 143 102	10 774 870	17 143 102	10 774 870
	<b>17 169 651</b>	<b>10 439 480</b>	<b>17 169 651</b>	<b>10 439 480</b>

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	2020	2019	2020	2019
<b>26. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	39 436 000	34 742 000	39 436 000	34 742 000
RSC Replacement grant	168 065 560	163 265 000	168 065 560	163 265 000
Expanded public works programme	1 080 000	1 105 000	1 080 000	1 105 000
Municipal Disaster Relief Grant	119 000	-	119 000	-
Financial management grant	1 000 000	1 000 000	1 000 000	1 000 000
Fire brigade service grant	40 108 423	57 391 577	40 108 423	57 391 577
Disaster management grant	7 876 550	2 123 450	7 876 550	2 123 450
HIV/AIDS grant	7 433 017	7 796 000	7 433 017	7 796 000
Network Libraries	2 800 000	2 800 000	2 800 000	2 800 000
Rural asset management grant	2 244 864	2 594 000	2 244 864	2 594 000
Performance Management Systems grant	500 000	-	500 000	-
Gauteng Department of Agriculture And Rural Development	-	366 605	-	366 605
	<b>270 663 414</b>	<b>273 183 632</b>	<b>270 663 414</b>	<b>273 183 632</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	63 161 854	75 176 632	63 161 854	75 176 632
Unconditional grants received	207 501 560	198 007 000	207 501 560	198 007 000
	<b>270 663 414</b>	<b>273 183 632</b>	<b>270 663 414</b>	<b>273 183 632</b>

### Equitable share

Current-year receipts	39 436 000	34 742 000	39 436 000	34 742 000
Conditions met - transferred to revenue	(39 436 000)	(34 742 000)	(39 436 000)	(34 742 000)
	-	-	-	-

### Expanded public works programme

Current-year receipts	1 080 000	1 105 000	1 080 000	1 105 000
Conditions met - transferred to revenue	(1 080 000)	(1 105 000)	(1 080 000)	(1 105 000)
	-	-	-	-

The grant used for Labour Intensive programmes as outlined by National Government.

### Municipal Disaster Relief Grant

Current-year receipts	119 000	-	119 000	-
Conditions met - transferred to revenue	(119 000)	-	(119 000)	-
	-	-	-	-

The grant was used for COVID-19 related expenditure.

### Financial management grant

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





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	2020	2019	2020	2019

### 26. Government grants and subsidies (continued)

This grant is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease and to finance other operational requirements.

#### Performance Management grant

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

The grant was provided to assist the municipality with the performance management system.

#### Gauteng Department of Agriculture And Rural Development (GDARD)

Balance unspent at beginning of year	5 633 395	2 000 000	5 633 395	2 000 000
Current-year receipts	-	4 000 000	-	4 000 000
Conditions met - transferred to revenue	-	(366 605)	-	(366 605)
Current year payments - Unspent funds	(5 633 395)	-	(5 633 395)	-
	-	<b>5 633 395</b>	-	<b>5 633 395</b>

This grant was used to assist with operationalising the Milling plant. The funds were transferred to the Gauteng Provincial Treasury on 22 July 2019.

#### Disaster management grant

Balance unspent at beginning of year	7 876 550	-	7 876 550	-
Current-year receipts	-	10 000 000	-	10 000 000
Conditions met - transferred to revenue	(7 876 550)	(2 123 450)	(7 876 550)	(2 123 450)
	-	<b>7 876 550</b>	-	<b>7 876 550</b>

Conditions still to be met - remain liabilities (see note 17).

This grant is used to assist with the disaster management issues within West Rand region.

#### Neighborhood Development partnership grant

Balance unspent at beginning of year	14 196 560	42 586 560	14 196 560	42 586 560
Recoupment through RSC levy grant	(14 196 560)	(28 390 000)	(14 196 560)	(28 390 000)
	-	<b>14 196 560</b>	-	<b>14 196 560</b>

Conditions still to be met - remain liabilities (see note 17).

The grant is used for the development of Regional capital projects within West Rand region.

### 27. Public contributions and donations

Donation of Office equipment	-	254 590	-	254 590
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	2020	2019	2020	2019
<b>28. Employee related costs</b>				
Basic	117 282 802	110 857 303	116 026 405	109 425 852
Bonus	8 675 370	8 072 941	8 675 370	8 072 941
Medical aid - company contributions	11 657 570	11 267 236	11 657 570	11 267 236
UIF	625 468	592 412	625 468	592 412
SDL	1 200 119	1 133 970	1 177 084	1 110 183
Contributions to unions	185 705	-	185 705	-
Leave pay provision charge	483 769	6 767 274	389 321	6 708 731
Pension fund contribution	21 771 128	20 173 136	21 769 252	20 172 022
Group Insurance	2 012 714	1 838 851	2 012 714	1 838 851
Travel, motor car, accommodation, subsistence and other allowances	6 431 527	5 475 486	6 431 527	5 475 486
Overtime payments	1 280 413	4 839 478	1 280 413	4 839 478
Acting allowances	1 863 320	1 532 899	846 994	578 648
Housing benefits and allowances	923 905	935 496	923 905	935 496
Standby and night shift allowance	7 266 542	2 798 017	7 266 542	2 798 017
Bargaining council	39 180	39 534	39 180	39 534
Current service cost (Post retirement medical aid)	2 283 055	2 562 450	2 283 055	2 562 450
	<b>183 982 587</b>	<b>178 886 483</b>	<b>181 590 505</b>	<b>176 417 337</b>

### Executive Manager: Acting Municipal Manager (M.E. Koloï)

Annual Remuneration	1 125 192	1 043 340	1 125 192	1 043 340
Car Allowance	216 000	216 000	216 000	216 000
Acting allowance	111 866	-	111 866	-
Other	11 637	12 267	11 637	12 267
	<b>1 464 695</b>	<b>1 271 607</b>	<b>1 464 695</b>	<b>1 271 607</b>

Mr. M.E Koloï has been acting as the Municipal Manager from 1 November 2020.

### Remuneration of Former Municipal Manager (M.D. Mokoena)

Annual Remuneration	764 018	1 304 560	764 018	1 304 560
Car Allowance	130 909	236 000	130 909	236 000
Leave resign	164 070	-	164 070	-
Other	10 626	14 934	10 626	14 934
	<b>1 069 623</b>	<b>1 555 494</b>	<b>1 069 623</b>	<b>1 555 494</b>

Mr. M.D Mokoena's contract lapsed during January 2020.

### Chief Financial Officer (L.S Ramaele)

Annual Remuneration	295 530	-	295 530	-
Car Allowance	72 000	-	72 000	-
Acting allowance	50 498	-	50 498	-
Other	3 370	-	3 370	-
	<b>421 398</b>	<b>-</b>	<b>421 398</b>	<b>-</b>

Mr. L.S Ramaele's 5 year term as the CFO began on 1 March 2020.

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	2020	2019	2020	2019

### 28. Employee related costs (continued)

#### Remuneration of Former Chief Financial Officer (R. Mohaudi)

Annual Remuneration	516 600	1 440 564	516 600	1 440 564
Car Allowance	80 000	240 000	80 000	240 000
Other	5 806	16 326	5 806	16 326
	<b>602 406</b>	<b>1 696 890</b>	<b>602 406</b>	<b>1 696 890</b>

Mr. R Mohaudi's 5 year term as the CFO lapsed on the 31 October 2019.

#### Executive Manager: Regional and Economic Development (H. Hamer)

Annual Remuneration	-	129 047	-	129 047
Car Allowance	-	11 000	-	11 000
Leave pay	-	107 556	-	107 556
Other	-	2 171	-	2 171
	-	<b>249 774</b>	-	<b>249 774</b>

The contract for Executive manager: Regional and economic development ended on 31 August 2018.

#### Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	1 065 192	983 340	1 065 192	983 340
Car Allowance	276 000	276 000	276 000	276 000
Other	10 829	12 147	10 829	12 147
	<b>1 352 021</b>	<b>1 271 487</b>	<b>1 352 021</b>	<b>1 271 487</b>

#### Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	1 125 192	1 043 340	1 125 192	1 043 340
Car Allowance	216 000	216 000	216 000	216 000
Other	9 923	11 133	9 923	11 133
	<b>1 351 115</b>	<b>1 270 473</b>	<b>1 351 115</b>	<b>1 270 473</b>

#### Acting Executive Manager: Public Safety (H.N.J Kahts)

Mr. H.N.J Kahts has been the acting Executive Manager: Public Safety from 1 November 2019. No acting allowance was paid due to the position not being vacant.

#### Acting Executive Manager: Regional & Economic Development (M. Nevhungoni)

Acting allowance	49 131	-	49 131	-
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Mr. M. Nevhungoni has been the acting Executive Manager: Regional & Economic Development from 1 November 2019.

#### Z. Mphaphuli (Acting Chief Executive Officer)

Acting allowances - executive managers	658 651	618 452	-	-
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Included above is the remuneration to the Acting CEO.

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	2020	2019	2020	2019
<b>29. Remuneration of councillors and board members</b>				
Executive Mayor	898 442	936 877	898 442	936 877
Mayoral Committee Members	4 792 848	5 578 280	4 792 848	5 578 280
Speaker	823 915	826 128	823 915	826 128
Councillors	6 728 316	5 678 806	6 728 316	5 678 806
Board members	564 500	685 500	-	-
	<b>13 808 021</b>	<b>13 705 591</b>	<b>13 243 521</b>	<b>13 020 091</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor and Speaker have a right of use of municipal vehicle for official duties as per Councilors upper limits gazette.

### 30. Depreciation

Property, plant and equipment	4 602 247	7 339 139	4 454 176	7 179 266
Intangible assets	-	60	-	-
	<b>4 602 247</b>	<b>7 339 199</b>	<b>4 454 176</b>	<b>7 179 266</b>

### 31. Impairment of assets

#### Impairments

Property, plant and equipment	2 426 669	-	1 964 371	-
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The impairment loss is due to theft which occurred at the Merafong Flora. The assets stolen had a significant role to the assets, rendering them non-functional after the event.

Due to the perpetual vandalism at the Donaldson Dam, the Palisade wall (asset number: X05913) in the Fixed Asset Register has been proposed for impairment.

The main classes of assets affected by impairment losses are:

Infrastructure assets

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The impairment loss is due to theft which occurred at the Merafong Flora. The assets stolen had a significant role to the assets, rendering them non-functional after the event.

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	2020	2019	2020	2019
<b>32. Interest costs and penalties</b>				
Breach of contract	172 399	-	172 399	-
Finance leases	377 055	1 788 703	377 055	1 788 703
Bank overdraft fees	-	147 778	-	147 778
Interest charged by creditors	1 050 913	-	1 050 913	-
Interest cost - actuarial valuations	7 032 592	10 403 013	7 032 592	10 403 013
Late payments - SARS	449 591	1 590 198	449 591	1 590 198
Interest on municipal account	281 422	141 362	-	-
Interest on inter-company loan	-	-	26 678	-
Department of Labour	188 758	122 090	188 758	122 090
Interest on late payments of pension funds	171 589	205 635	171 589	205 635
	<b>9 724 319</b>	<b>14 398 779</b>	<b>9 469 575</b>	<b>14 257 417</b>
<b>33. Lease rentals on operating lease</b>				
<b>Premises</b>				
Contractual amounts	174 000	174 224	-	-
<b>Motor vehicles</b>				
Contractual amounts	4 065 466	7 459 646	4 065 466	7 459 646
<b>Equipment</b>				
Contractual amounts	1 283 706	1 262 218	1 283 706	1 262 218
	<b>5 523 172</b>	<b>8 896 088</b>	<b>5 349 172</b>	<b>8 721 864</b>
<b>34. Contributions to/ (reversals) of debt impairment provision</b>				
Contributions to debt impairment provision	8 239 732	841 819	8 239 732	841 819
The impairment is contributed by debt owed from Merafong City Local Municipality not paid for the past two years.				
<b>35. Contracted services</b>				
<b>Outsourced Services</b>				
Qualification verification	1 113	-	1 113	-
Business and Advisory	6 485 949	5 473 082	6 485 949	5 473 082
Security Services	4 772 340	6 030 907	4 550 340	5 787 923
<b>Consultants and Professional Services</b>				
Business and Advisory	4 063 367	2 578 044	4 063 367	2 578 044
Legal Cost	2 566 445	2 813 767	2 566 445	2 813 767
<b>Contractors</b>				
Maintenance of Buildings and Facilities	3 030	13 995	-	-
Maintenance of Equipment	-	154 147	-	154 147
Maintenance of vehicles	278 673	426 918	278 673	426 918
	<b>18 170 917</b>	<b>17 490 860</b>	<b>17 945 887</b>	<b>17 233 881</b>
<b>36. Transfers and subsidies</b>				
<b>Grants paid to ME's</b>				
WRDA Subsidy	-	-	-	4 400 000

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	2020	2019	2020	2019
<b>36. Transfers and subsidies (continued)</b>				
<b>Other subsidies</b>				
Subsidy: Post retirement benefits	(414 331)	982 210	(414 331)	982 210
Local Municipalities HIV/ Aids Subsidy	7 835 600	7 741 800	7 835 600	7 741 800
Bereavement subsidy	22 800	20 330	22 800	20 330
	<b>7 444 069</b>	<b>8 744 340</b>	<b>7 444 069</b>	<b>8 744 340</b>
	<b>7 444 069</b>	<b>8 744 340</b>	<b>7 444 069</b>	<b>13 144 340</b>

### 37. Operating costs

Advertising	147 530	234 570	147 530	190 319
Auditors remuneration	3 982 527	2 594 645	3 656 651	2 555 941
Bank charges	51 314	179 412	36 110	166 743
Consumables	16 627	30 531	-	-
Entertainment	759	-	-	-
Insurance	4 769 591	3 362 982	4 769 591	3 362 982
Conferences and seminars	25 443	-	-	-
Municipal Levies	4 165 350	7 148 482	3 934 416	5 107 136
Membership fees	2 086 460	965 850	2 086 460	965 850
Fuel and oil	1 731 351	914 739	1 729 420	909 719
Printing and stationery	5 127	25 750	-	-
License fees	107 502	131 969	107 502	131 969
Software expenses	2 729 307	2 427 188	2 729 307	2 427 188
Telephone and fax	938 992	803 202	887 522	744 674
Training (1)	2 527 454	-	2 527 454	-
Travel - local	4 347	-	4 347	-
COVID-19 PPE (2)	192 937	-	192 937	-
Arbitration award (3)	1 848 824	-	1 843 824	-
Stock and material	129 043	166 331	129 043	166 331
	<b>25 460 485</b>	<b>18 985 651</b>	<b>24 782 114</b>	<b>16 728 852</b>

(1) Training costs relate to training programmes provided to learners as part of the LG SETA programmes.

(2) This relates to expenditure incurred for COVID-19 PPE, namely sanitizers, protective gear and other COVID related costs.

(3) Arbitration awards relates to the cases awarded to the defendants due to labour disputes.

### 38. Fair value adjustments

Investment property (Fair value model)	1 300 000	500 000	1 300 000	500 000
Biological assets - (Fair value model)	(66 771)	(7 153)	(66 771)	(7 153)
	<b>1 233 229</b>	<b>492 847</b>	<b>1 233 229</b>	<b>492 847</b>

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>39. Cash generated from operations</b>				
Surplus	17 461 059	33 259 473	21 879 043	34 500 934
<b>Adjustments for:</b>				
Depreciation and amortisation	4 602 247	7 339 199	4 454 176	7 179 266
Loss/ (Gain) on sale of assets and liabilities	2	27 192	-	-
Movement on WCA	1 149 450	1 159 070	1 149 450	1 159 070
Fair value adjustments	(1 233 229)	(492 847)	(1 233 229)	(492 847)
Debt impairment	377 055	1 788 703	-	-
Impairment deficit	2 426 669	-	1 964 371	-
Debt impairment	8 239 732	841 819	8 239 732	841 819
Movements in retirement benefit assets and liabilities	(10 970 118)	(312 540)	(10 970 118)	(312 540)
Movements in provisions	3 873 032	20 358 599	3 873 032	20 358 599
Additions - donations	-	-	-	(240 560)
<b>Changes in working capital:</b>				
Inventories	8 985	79 412	8 985	79 412
Receivables from exchange transactions	11 199 325	919 154	11 807 857	(3 568 498)
Prepayments	-	(751 253)	-	-
Payables from exchange transactions	19 050 837	(45 914 367)	16 548 056	(36 932 317)
VAT	763 674	326 603	554 922	(1 364 778)
Unspent conditional grants and receipts	(46 496 809)	3 228 368	(46 496 809)	3 228 368
	<b>10 451 911</b>	<b>21 856 585</b>	<b>11 779 468</b>	<b>24 435 928</b>

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 40. Financial instruments disclosure

#### Categories of financial instruments

##### Economic entity - 2020

##### Financial assets

	At fair value	At cost	Total
Long term receivables	-	254 195	254 195
Receivables from exchange transactions	8 467 293	-	8 467 293
Cash and cash equivalents	4 481 351	-	4 481 351
	<b>12 948 644</b>	<b>254 195</b>	<b>13 202 839</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	(82 988 212)	-	(82 988 212)
Transfers payable (non-exchange)	-	(32 444 344)	(32 444 344)
Unspent conditional grants and receipts	-	(1 318 119)	(1 318 119)
	<b>(82 988 212)</b>	<b>(33 762 463)</b>	<b>(116 750 675)</b>

##### Economic entity - 2019

##### Financial assets

	At fair value	At cost	Total
Long-term receivables	-	254 915	254 915
Receivables from exchange transactions	29 324 271	-	29 324 271
Cash and cash equivalents	7 264 007	-	7 264 007
	<b>36 588 278</b>	<b>254 915</b>	<b>36 843 193</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	(63 937 375)	-	(63 937 375)
Transfers payable (non-exchange)	-	(32 444 344)	(32 444 344)
Unspent conditional grants and receipts	-	(47 814 928)	(47 814 928)
	<b>(63 937 375)</b>	<b>(80 259 272)</b>	<b>(144 196 647)</b>

##### Controlling entity - 2020

##### Financial assets

	At fair value	At cost	Total
Long term receivables	-	254 915	254 915
Receivables from exchange transactions	8 467 293	-	8 467 293
Cash and cash equivalents	1 045 473	-	1 045 473
	<b>9 512 766</b>	<b>254 915</b>	<b>9 767 681</b>

##### Financial liabilities



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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 40. Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Payables from exchange transactions	(79 390 776)	-	(79 390 776)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(1 318 119)	(1 318 119)
	<b>(79 390 776)</b>	<b>(31 762 463)</b>	<b>(111 153 239)</b>

### Controlling entity - 2019

#### Financial assets

	At fair value	At cost	Total
Long-term receivables	-	254 915	254 915
Receivables from exchange transactions	29 294 274	-	29 294 274
Cash and cash equivalents	2 500 573	-	2 500 573
	<b>31 794 847</b>	<b>254 915</b>	<b>32 049 762</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	(62 842 720)	-	(62 842 720)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(47 814 928)	(47 814 928)
	<b>(62 842 720)</b>	<b>(78 259 272)</b>	<b>(141 101 992)</b>

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 41. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for 1 year

• Property, plant and equipment	4 089 130	-	4 089 130	-
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##### Total capital commitments

Already contracted for but not provided for	4 089 130	-	4 089 130	-
---------------------------------------------	-----------	---	-----------	---

The municipality committed a capital amount of R4 million which relates to outright purchase of municipal vehicles through National Treasury Transversal Contract. Delivery of these vehicles is expected between July and November 2020.

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Security services	3 485 712	3 139 020	3 366 312	2 917 020
• Insurance Services	2 024 599	4 764 041	2 024 599	4 764 041
• Operationalisation of RRAMS Programme	2 961 480	-	2 961 480	-
• Cellphone Services	1 419 528	753 774	1 419 528	753 774
• Supply and Delivering of Photocopy Machines and Digital Office Automation Equipments	1 325 888	1 283 706	1 325 888	1 283 706
• mSCOA Financial System	3 438 762	2 729 306	3 438 762	2 729 306
• Huge Telecom	8 990	17 980	-	-
• Sasfin	17 785	35 570	-	-
	<b>14 682 744</b>	<b>12 723 397</b>	<b>14 536 569</b>	<b>12 447 847</b>

##### Total operational commitments

Already contracted for but not provided for	14 682 744	12 723 397	14 536 569	12 447 847
---------------------------------------------	------------	------------	------------	------------

Amounts in operational commitments relates to figures committed to be spend for the next 12 months.

#### Total commitments

##### Total commitments

Authorised capital expenditure	4 089 130	-	4 089 130	-
Authorised operational expenditure	14 682 744	12 723 397	14 536 569	12 447 847
	<b>18 771 874</b>	<b>12 723 397</b>	<b>18 625 699</b>	<b>12 447 847</b>

#### Investment properties

##### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	307 980	7 258 039	220 980	7 084 039
- in second to fifth year inclusive	-	307 980	-	220 980
	<b>307 980</b>	<b>7 566 019</b>	<b>220 980</b>	<b>7 305 019</b>

The operating lease commitment related to the lease of municipal vehicles and printing equipment.

##### Operating leases - as lessor (income)

##### Minimum lease payments due

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>41. Commitments (continued)</b>				
- within one year	1 980 938	1 593 177	1 961 090	1 542 003
- in second to fifth year inclusive	2 446 747	4 029 022	2 446 747	4 009 174
	<b>4 427 685</b>	<b>5 622 199</b>	<b>4 407 837</b>	<b>5 551 177</b>

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>42. Contingencies</b>				
Trifecta Trading 22 (Pty) Ltd t/a Shell Westonaria Alleged non-payment of goods purchased by West Rand District Municipality from plaintiff	32 095	-	32 095	-
Mafoko Security Patrols (Pty) Ltd Alleged non-payment of services rendered to West Rand District Municipality by the plaintiff.	4 546 221	-	4 546 221	-
Zoliswa Patricia Ndaba Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard on pavement.	1 705 000	1 705 000	1 705 000	1 705 000
ES du Toit Motor vehicle accident. However, WRDM erroneously cited as neither the vehicle nor the driver has any relation to the WRDM. Plaintiff served a combined summons on the WRDM	15 710	15 710	15 710	15 710
Matshido Catharine Lieta Delictual claim. Plaintiff claiming for damages after falling into an open access hole on the pavement in Westonaria	2 500 000	-	2 500 000	-
Mzayiya Nwabisa Delictual. Plaintiff fell in an open manhole in Westonaria, intersection of Pakeman and Allen Streets	850 000	-	850 000	-
WE Delpont t/a Henico motors Plaintiff claiming outstanding rental for property rented as Fochville fire station in terms of a lease agreement (January to May 2018)	-	191 177	-	191 177
Vodacom Services were provided for telephone and mobile. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.	33 069	33 069	-	-
Aurecon Services were provided for legal issues. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.	10 130	10 130	-	-
	<b>9 692 225</b>	<b>1 955 086</b>	<b>9 649 026</b>	<b>1 911 887</b>

#### Contingent assets

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	2020	2019	2020	2019

### 42. Contingencies (continued)

VBS Mutual Bank was placed under curatorship on 11 March 2018. On the 14 March 2018, the curator informed the municipality that he will consider the interests of all depositors and creditors. The WRDM made investments in terms of Section 13 of the MFMA supported by Council approved policy.

The curator is currently assessing the liquidity position of VBS Mutual Bank and is developing possible remedial strategies. No further notification from the curator was received by the municipality since March 2018. The municipality expects that an inflow of economic benefits (recovery of investments) is probable, however cannot reliably determine the extent of the amounts of the investments that will probably be recovered.

The municipality lodged a claim for the amount of R76 million with the Liquidator and office of the Master of the High Court in 2018/19. In a meeting of the creditors on March 2019 the claim of the WRDM (and 3 other Municipalities) were accepted by the Liquidators.

In a meeting of November 2019, the Liquidator allowed for the submission of claims from other creditors (to allow assistance to unrepresented claimants). A Liquidation and Distribution account was due to be filed in terms of the Companies Act and in May 2020, the Liquidator applied for an extension of time from the Master of the High Court.

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	2020	2019	2020	2019

### 43. Related parties

#### Relationships

Accounting Officer

Controlled entities

Members of key management

Refer to Accounting Officer's report note

Refer to note

M.E Koloji: Accounting Officer

M.D Mokoena: Accounting Officer (Former)

L.S Ramaele: Chief Financial Officer

R. Mohaudi: Chief Financial Officer (Former)

R. Mokebe: Executive Manager - Corporate Services

M.M Mazibuko: Executive Manager - Health & Social Development

N. Nevhungoni: Acting Executive Manager - Regional & Economic Development

N. Kahts: Acting Executive Manager - Public Safety

Z. Mphaphuli (Acting Chief Executive Officer - WRDA)

The municipality has 100% share in its entity (WRDA). The entity has its own board of directors and its own executive management. Transactions relating to key management personnel are disclosed in Note 28 and have been accounted for according to GRAP 20.

#### Related party transactions

The WRDM has a relationship with Rand West City, Merafong City, and Mogale City Local Municipalities and the WRDA which has resulted in the transfers by the WRDM during the 2018/19 financial year end.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality.

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### Notes to the Annual Financial Statements

Figures in Rand

#### 43. Related parties (continued)

##### Remuneration of other members of management

##### Management class: Board members

##### 2020

Name	Board fees	Total
T. Mokale (Chairperson of the audit committee)	45 000	45 000
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	78 000	78 000
E. Mokhine (Chairperson of Human Resource & Remuneration Committee)	79 000	79 000
B. Friedman (Chairperson of Economic Development & Investment Committee)	80 500	80 500
L. Hibbert (Non-Executive Director)	70 500	70 500
J. Mohlakoana (Non-Executive Director)	66 000	66 000
J. Sloan (Non-Executive Director)	67 500	67 500
A. Masiu (Member of sub-committee)	46 500	46 500
L. Brits (Member of sub-committee)	3 000	3 000
G. Masobe (Member of sub-committee)	28 500	28 500
	<b>564 500</b>	<b>564 500</b>

##### 2019

Name	Board fees	Total
T. Mokale (Chairperson of the audit committee)	55 000	55 000
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	70 000	70 000
E. Mokhine (Chairperson of Human Resource & Remuneration Committee)	90 000	90 000
B. Friedman (Chairperson of Economic Development & Investment Committee)	105 000	105 000
L. Hibbert (Non-Executive Director)	76 500	76 500
J. Mohlakoana (Non-Executive Director)	69 000	69 000
J. Sloan (Non-Executive Director)	94 500	94 500
A. Masiu (Member of sub-committee)	60 000	60 000
L. Brits (Member of sub-committee)	36 000	36 000

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Figures in Rand

#### 43. Related parties (continued)

G. Masobe (Member of sub-committee)	29 500	29 500
	<b>685 500</b>	<b>685 500</b>

#### Management class: Councillors

2020

Name	Fees for services as a member of management	Basic salary	Other short-term employee benefits	Other benefits received	Total
D.S Thabe (Executive Mayor)	564 500	666 848	44 400	187 194	898 442
Ald. N Tundzi-Hawu (Speaker)	-	580 804	44 400	198 711	823 915
Ald. F.O Bhayat (MMC: Financial Services)	-	316 917	3 600	109 014	429 531
D.D Moreotsenye (MMC: Corporate and Shared Services)	-	552 845	44 400	189 176	786 421
S. Konopi (MMC: Transport and Human Settlements)	-	544 503	44 400	186 314	775 217
M.J Selibo (MMC: Infrastructure)	-	443 165	42 700	154 600	640 465
B. Xulu (MMC: Health and Social Services)	-	544 503	44 400	186 763	775 666
P. Chabane (MMC: Regional Industrialisation)	-	350 208	3 600	120 462	474 270
Ald. T.P Matuwane (MMC: Environmental Management)	-	544 503	44 400	186 314	775 217
H.O Butler (MMC: Public Safety)	-	544 503	44 400	187 619	776 522
S.P Monoane (Council Whip)	-	544 503	44 400	186 314	775 217
V.B Khumalo (MPAC Chairperson)	-	387 683	24 000	105 679	517 362
Ald. J Zwart	-	44 387	24 000	502	68 889
Ald. D.H Pretorius	-	227 586	44 400	78 498	350 484
G.S Isherwood	-	227 586	44 400	78 498	350 484
Ald. B.D Blake	-	227 586	44 400	78 498	350 484
E.P Du Plessis	-	227 586	44 400	77 953	349 939
M.N Ndzilane	-	227 586	44 400	78 089	350 075
A.L Rowles-Zwart	-	227 586	44 400	78 634	350 620
R.T Molusi	-	227 586	44 400	78 634	350 620
K Mandyu	-	227 586	44 400	78 089	350 075
J.D.H Du Bruyn	-	227 586	44 400	78 089	350 075



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#### 43. Related parties (continued)

B.A Mpeke	-	44 387	24 000	502	68 889
D.S David	-	-	24 000	34 129	58 129
L.A Mganu	-	7 398	4 000	97	11 495
M Ndamase	-	-	24 000	32 068	56 068
S. Khenene	-	11 097	6 000	145	17 242
A.J Van Tonder	-	44 387	24 000	502	68 889
D. Cloete	-	11 097	6 000	145	17 242
P.C Orpen	-	-	24 000	12 494	36 494
M. Nkoe	-	44 387	24 000	502	68 889
B. Van Der Berg	-	44 387	24 000	502	68 889
K.E Lekagane	-	-	24 000	12 494	36 494
J.N Kotze	-	-	24 000	23 827	47 827
W. Segolodi	-	-	24 000	15 585	39 585
X.L Mkruquli	-	-	24 000	14 555	38 555
L Modise	-	-	24 000	33 098	57 098
M.M Sello	-	-	24 000	35 159	59 159
B.R Mafika	-	44 387	24 000	502	68 889
W.S Njani	-	44 387	24 000	502	68 889
M. Myeki	-	237 991	40 700	84 112	362 803
M.P Teleko	-	40 688	22 000	453	63 141
J.L Pannall	-	-	20 000	9 381	29 381
M. Naki	-	36 989	20 000	405	57 394
H.H Hild	-	33 290	18 000	356	51 646
I.M Merabe	-	33 290	18 000	356	51 646
H.B Munyai	-	25 892	22 500	20 406	68 798
		<b>564 500</b>	<b>8 817 700</b>	<b>1 389 900</b>	<b>3 035 921</b>
					<b>13 243 521</b>

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#### 43. Related parties (continued)

2019

Name	Fees for services as a member of management	Basic salary	Other short-term employee benefits	Other benefits received	Total
Ald. B.M Maneli (Executive Mayor)	685 500	665 505	40 700	230 672	936 877
Ald. N. Tundzi-Hawu (Speaker)	-	580 804	44 400	200 923	826 127
Ald. F.O Bhayat (MMC: Financial Services)	-	316 917	3 600	109 689	430 206
D.D Moreotsenye (MMC: Corporate & Shared Services)	-	552 845	44 400	190 139	787 384
H.O Butler (MMC: Public Safety)	-	544 503	44 400	188 842	777 745
S. Konopi (MMC: Transport and Human Settlements)	-	544 503	44 400	187 277	776 180
Cllr. D.S Thabe (MMC: Infrastructure)	-	544 503	44 400	187 436	776 339
P. Chabane (MMC: Regional Industrialisation)	-	350 208	3 600	122 399	476 207
B. Xulu (MMC: Health & Social Services)	-	544 503	44 400	187 943	776 846
Ald. T.P Matuwane (MMC: Environmental Management)	-	544 503	44 400	188 468	777 371
S.P Monoane (Council Whip)	-	544 503	44 400	187 277	776 180
V.B Khumalo (MPAC Chairperson)	-	190 887	24 000	65 634	280 521
Ald. D.H Pretorius	-	227 586	44 400	78 985	350 971
G.S Isherwood	-	227 586	44 400	78 985	350 971
Ald. D.B Blake	-	227 586	44 400	78 985	350 971
E.P Du Plessis	-	227 586	44 400	78 330	350 316
M.N Ndzilane	-	227 586	44 400	78 534	350 520
A.L Rowles-Zwart	-	227 586	44 400	79 189	351 175
R.T Molusi	-	227 586	44 400	79 189	351 175
K. Mandyu	-	227 586	44 400	78 534	350 520
J.D.H Du Bruyn	-	227 586	44 400	78 534	350 520
B.A Mpeke	-	44 387	24 000	582	68 969
D.S David	-	-	24 000	24 863	48 863
L.A Mganu	-	44 387	24 000	582	68 969
M. Ndamase	-	-	24 000	25 893	49 893
P.S Mapena	-	29 591	16 000	388	45 979
S. Khenene	-	44 387	24 000	582	68 969

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Figures in Rand

#### 43. Related parties (continued)

Ald. J Zwart	-	44 387	24 000	582	68 969	
A.J Van Tonder	-	44 387	24 000	582	68 969	
P.C Orpen-Reid	-	-	24 000	13 531	37 531	
M. Nkoe	-	44 387	24 000	582	68 969	
B. Van der Berg	-	44 387	24 000	582	68 969	
K.E Lekagane	-	-	24 000	14 561	38 561	
J.N Kotze	-	-	24 000	20 742	44 742	
W. Segolodi	-	-	24 000	14 561	38 561	
X.L Mkruquli	-	-	24 000	14 561	38 561	
B.R Mafika	-	3 699	2 000	48	5 747	
W. Njani	-	3 699	2 000	48	5 747	
M. Sello	-	-	10 000	11 390	21 390	
C.P Zagagana	-	-	14 000	10 388	24 388	
B. Mahuma	-	167 118	12 000	57 861	236 979	
T. Mokuke	-	40 688	22 000	533	63 221	
D. Cloete	-	44 387	24 000	582	68 969	
I.E Mukwevho	-	39 103	21 143	513	60 759	
R.B Masemola	-	39 103	21 143	513	60 759	
M.J Selibo	-	-	24 000	24 863	48 863	
V. Mhlari	-	-	14 000	7 292	21 292	
L. Modise	-	-	10 000	11 381	21 381	
		<b>685 500</b>	<b>8 650 555</b>	<b>1 354 986</b>	<b>3 014 550</b>	<b>13 020 091</b>

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 44. Prior period restatements

#### Receivables from exchange transactions

The consumer debtors were under charged as a result of the rental amounts not being in line with the SLAs and as a result of this, the error was rectified in the current financial year and prior period transactions were allocated to the correct accounting periods. This affected impairment of receivables in the prior year as those amounts will be deemed to be long outstanding.

#### VAT receivable

Prior year VAT refunds were incorrectly captured into the accounting records as fire prevention fees. This was rectified in the prior financial years.

#### Cash and cash equivalents

There were transactions not reconciling on the financial system when the municipality migrated from previous chart of accounts to mSCOA. Transactions have been cleared in the bank reconciliation.

#### Property, plant and equipment

The municipality undertook annual review of useful lives of fixed assets. The change in useful life resulted in the changes in depreciation values.

#### Payables from exchange transactions

Credit notes were performed for creditors who could not be validated. Transactions were initially captured under the prior years and when the error was corrected, amounts had to be allocated to the correct accounting period.

#### Provisions

The restatement is as a result of the reinstatement of the Long Service Award Policy. The long service award policy was erroneously quoted as part of policies which were at the SALGBC as part of a policy dispute.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position - Economic Entity	As previously reported	Restatement	Restated balance
Receivables from exchange transactions	30 699 934	(1 375 663)	29 324 271
VAT receivable	2 506 273	2 142 448	4 648 721
Cash and cash equivalents	7 510 107	(246 100)	7 264 007
Property, plant and equipment	71 567 365	27 789	71 595 154
Finance lease obligation	(13 094 862)	255 350	(12 839 512)
Payables from exchange transactions	(73 342 347)	7 204 972	(66 137 375)
Provisions (current liabilities)	(3 918 810)	(6 930 845)	(10 849 655)
Provisions (non-current liabilities)	-	(13 164 642)	(13 164 642)
Accumulated deficit	105 839 733	12 086 691	117 926 424
	<b>127 767 393</b>	<b>-</b>	<b>127 767 393</b>

Statement of Financial Performance - Economic Entity	As previously reported	Restatement	Restated balance
Service charges	1 843 195	(44 163)	1 799 032
Rental of facilities	1 911 065	184 026	2 095 091
Interest on outstanding receivables	536 616	166 985	703 601
Recoveries	5 226	172 065	177 291
Operating income	13 490 379	80 687	13 571 066
Actuarial gains	10 774 870	(335 390)	10 439 480
Employee related costs	(179 212 307)	325 825	(178 886 482)
Depreciation	(7 365 453)	26 254	(7 339 199)
Interest costs and penalties	(13 091 024)	(1 307 755)	(14 398 779)
Contracted services	(17 498 026)	7 166	(17 490 860)
Operating costs	(19 047 264)	61 613	(18 985 651)
	<b>(207 652 723)</b>	<b>(662 687)</b>	<b>(208 315 410)</b>

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

### 45. Events after the reporting date

Any events or transactions which occurred after 30 June 2020 and that require a disclosure or adjustment in the annual financial statements of West Rand District Municipality were duly accounted for, with exception of an item which was tabled to Council on 29 June 2020 based on decision to disestablish the entity due to its financial difficulties. A process of winding up the entity was incorporated in the item tabled to Council. Nine (9) board members were deregistered from being the directors of the entity subsequent to their term of office coming to end on 30 June 2020.

### 46. Discontinued operations

The municipality has decided to discontinue its operations in 2020/2021 financial period by the decision to disestablish its municipal entity. The impact on assets and liabilities of the entity will have an effect on WRDM's balances in the next reporting period.

The decision was made by the Council to discontinue these operations due the lack of funds to support its municipal entity. The decision was taken in line with implementation of the financial recovery plan.

### 47. Risk management

#### Financial risk management

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

#### Liquidity risk

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

#### Credit risk

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

#### Other risks

#### Risk arising from injury on duty

The municipality is exposed to financial risks arising from non-payment of provision for workmen's compensation. The municipality failed to receive annual assessments from the Department of Labour. The effect of non-payment may negatively affect injury on duty incidents that may arise from time to time. An item was tabled to Council which permits the cover for employees that may be exposed to injury on duty incidents, using municipality's internal resources. The municipality has a payment arrangement with Department of Labour in settling outstanding workmen's compensation.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

### 48. Going concern

We draw attention to the fact that at 30 June 2020, the economic entity had an accumulated surplus (deficit) of R (100 726 841) and that the municipality's total liabilities exceed its assets by R (100 726 841). The municipality had a surplus (deficit) for the year of R 17 461 056.

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

The municipality is presently implementing a financial recovery plan with seven (7) strategies and reports on progress to Provincial CoGTA on monthly basis. The municipality further tabled a financial turnaround strategy as part of budget related policies which is unpacked as follows:

- Short-term plan includes cost curtailment and cost benefit analysis. Out of fourteen (14) contracts which were reviewed, eight (8) were scaled down in terms of scope and price. Three contracts were immediately terminated to avoid irregular expenditure. Three major contracts lapsed and were not renewed. Alternative ways were considered to ensure service delivery is not compromised.
- Medium term plans includes revenue enhancement concerning the re-application for the introduction of fire service levy and promulgation of parking by-laws.
- Long term plans includes the implementation of powers and function of the district. It also includes the sustainable funding model for fire services function by Provincial government.

With the implementation of the District Development Model, the District will be playing its coordinating function to ensure that service delivery is not compromised. A detailed funding assessment will have to be undertaken prior to the implementation of the District Development Model. The District Development Model is a new integrated planning model for Cooperative Governance which seeks to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensure that municipalities are adequately supported and resourced to carry out their mandate.

### 49. Unauthorised expenditure

Opening balance as previously reported (1)	80 009 320	51 137 625	80 009 320	51 137 625
<b>Opening balance as restated</b>	<b>80 009 320</b>	<b>51 137 625</b>	<b>80 009 320</b>	<b>51 137 625</b>
Add: Unauthorised expenditure - current period (4)	30 951 144	28 871 695	30 951 144	28 871 695
Less: Authorised for write-off - Prior period (2)	(28 871 695)	-	(28 871 695)	-
Less: Authorised for write-off - Current period (3)	(28 176 572)	-	(28 176 572)	-
<b>Closing balance</b>	<b>53 912 197</b>	<b>80 009 320</b>	<b>53 912 197</b>	<b>80 009 320</b>

(1) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to VBS investments impaired during 2017/2018 financial period. The matter was referred to MPAC for investigation and recommended that a criminal case be lodged with SAPS. A national office case number has been issued.

(2) Unauthorised expenditure relates to unspent conditional grants disclosed during 2018/2019 financial period and not cash-backed by sufficient liquid asset. The matter was referred to MPAC for investigation and recommended that the expenditure be written off since the conditions of the grants were met during 2019/2020 financial period.

(3) Unauthorised expenditure related to spending of operating cost of fire service functions which were removed from the 2019/2020 special adjustment budget approved by Council on 30 September 2019 in line with the recommendations of the financial recovery plan. These functions were not accepted by the local municipality and expenses were still incurred by the District municipality. The matter was referred to MPAC for investigation and recommended that the expenditure be written off since the special adjustment budget was deemed unrealistic. The fire services function was returned into the municipality's budget during the 2019/2020 ordinary adjustment budget stage.

(4) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to the impairment of amounts owed by Merafong City Local Municipality for regional contributions. This was identified during preparation of annual financial statements for 2019/2020 and will be submitted to Council.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>49. Unauthorised expenditure (continued)</b>				
<b>Analysed as follows: non-cash</b>				
Over-spending of the budget (4)	2 774 572	-	2 774 572	-
<b>Analysed as follows: cash</b>				
Unspent conditional grants not cash backed (2)	-	28 871 695	-	28 871 695
Operating costs for Fire brigade services (3)	28 176 572	-	28 176 572	-
	<b>28 176 572</b>	<b>28 871 695</b>	<b>28 176 572</b>	<b>28 871 695</b>

#### Disciplinary steps taken/criminal proceedings

Following the implementation of Council resolution on a VBS matter, the municipality became aware that a criminal case has already been lodged with SAPS.

#### 50. Irregular expenditure

Opening balance as previously reported	2 348 321	10 443 455	2 133 381	10 228 515
Less: Irregular Expenditure - prior year correction (1)	-	(8 094 864)	-	(8 094 864)
<b>Opening balance as restated</b>	<b>2 348 321</b>	<b>2 348 591</b>	<b>2 133 381</b>	<b>2 133 651</b>
Add: Irregular Expenditure - current	20 803 347	22 122 583	20 803 347	22 122 583
Less: Amount written off - current (2)	(17 866 849)	(22 122 853)	(17 866 849)	(22 122 853)
<b>Closing balance</b>	<b>5 284 819</b>	<b>2 348 321</b>	<b>5 069 879</b>	<b>2 133 381</b>

(1) Prior year correction on irregular expenditure are as a result of a revised schedule on irregular expenditure which arose from the overpayments of the locomotion allowance for a period not exceeding 72 months.

(2) Irregular expenditure written off for the prior and current year relates to expenditure incurred on contracts awarded during 2016/2017 financial period as a result of contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011. The contracts lapsed on 30 June 2020 and were not renewed or extended

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### Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>50. Irregular expenditure (continued)</b>				
<b>Incidents/cases identified in the current year include those listed below:</b>				
	<b>Disciplinary steps taken/criminal proceedings</b>			
Competitive bidding not invited				
No addendum Service level agreement for extended contracts				
Procurement process in contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011				
	2 392 000	-	2 392 000	-
	544 497	-	544 497	-
	17 866 849	22 122 853	17 866 849	22 122 853
	<b>20 803 346</b>	<b>22 122 853</b>	<b>20 803 346</b>	<b>22 122 853</b>

#### Cases under investigation

Competitive bidding not invited	2 392 000	-	2 392 000	-
No addendum Service level agreement for extended contracts	544 497	-	544 497	-
	<b>2 936 497</b>	<b>-</b>	<b>2 936 497</b>	<b>-</b>

#### Amounts written-off

Procurement process in contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011	17 866 849	22 122 853	17 866 849	22 122 853
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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
<b>51. Fruitless and wasteful expenditure</b>				
Opening balance as previously reported	2 239 563	649 365	1 857 981	267 783
<b>Opening balance as restated</b>	<b>2 239 563</b>	<b>649 365</b>	<b>1 857 981</b>	<b>267 783</b>
Add: Expenditure identified - current (1) (2)	3 805 510	1 590 198	3 805 510	1 590 198
Add: Expenditure identified - prior period (1)	409 438	-	409 438	-
Less: Amount written off - prior period (1)	(1 857 981)	-	(1 857 981)	-
<b>Closing balance</b>	<b>4 596 530</b>	<b>2 239 563</b>	<b>4 214 948</b>	<b>1 857 981</b>

(1) Fruitless and wasteful expenditure includes amounts charged for interest and penalties based on long outstanding amounts. These relates to interest and penalties charged by SARS, benefit funds, Department of Labour and other creditors

(2) Fruitless and wasteful expenditure includes amounts for arbitration awards on labour disputes. The matter has been referred to Council and MPAC investigation is pending.

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### Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2020	2019	2020	2019	
<b>51. Fruitless and wasteful expenditure (continued)</b>					
<b>Expenditure identified in the current year include those listed below:</b>					
	<b>Disciplinary steps taken/criminal proceedings</b>				
Interest and penalties charged by SARS	MPAC recommends expenditure to be written off	-	1 857 981	-	1 857 981
Interest and penalties charged by SARS	MPAC investigation pending	449 591	-	449 591	-
Interest charged by Benefit funds	MPAC investigation pending	377 224	-	377 224	-
Interest charged by Department of Labour	MPAC investigation pending	392 561	-	392 561	-
Arbitration awards	MPAC investigation pending	1 843 824	-	1 843 824	-
Recruitment process for CFO position disbanded	MPAC investigation pending	69 606	-	69 606	-
Legal dispute with service provider	MPAC investigation pending	172 399	-	172 399	-
Interest and penalties charged by creditors	MPAC recommends that management engage with service provider on the reasonability of the interest and penalties charged.	909 743	-	909 743	-
		<b>4 214 948</b>	<b>1 857 981</b>	<b>4 214 948</b>	<b>1 857 981</b>

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

#### 51. Fruitless and wasteful expenditure (continued)

##### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1 857 981 from the total fruitless and wasteful expenditure amount as the amount was not recoverable.

	Written off by:			
Interest on late payments and penalties to SARS Council	1 857 981	-	1 857 981	-

#### 52. Additional disclosure in terms of Municipal Finance Management Act

##### Companies and Intellectual Property Commission

Current year subscription / fee	100	150	-	-
Amount paid - current year	(100)	(150)	-	-
	-	-	-	-

##### Contributions to organised local government

Opening balance	2 409 615	1 456 265	2 409 615	1 456 265
Current year subscription / fee	2 086 460	953 350	2 086 460	953 350
	<b>4 496 075</b>	<b>2 409 615</b>	<b>4 496 075</b>	<b>2 409 615</b>

##### Material losses

Opening balance	2 219 775	2 225 001	2 219 775	2 225 001
Amount paid - current year	-	(5 226)	-	(5 226)
	<b>2 219 775</b>	<b>2 219 775</b>	<b>2 219 775</b>	<b>2 219 775</b>

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	2020	2019	2020	2019

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

#### Audit fees

Opening balance	1 825 472	604 138	1 820 817	604 105
Current year subscription / fee	4 104 023	2 930 302	3 729 421	2 891 598
Amount paid - current year	(3 504 998)	(1 708 968)	(3 132 256)	(1 674 886)
	<b>2 424 497</b>	<b>1 825 472</b>	<b>2 417 982</b>	<b>1 820 817</b>

#### PAYE and UIF

Opening balance	129 922	4 299 856	-	4 299 856
Current year subscription / fee	29 824 143	26 801 070	29 369 046	26 311 302
Amount paid - current year	(25 148 296)	(31 100 926)	(24 563 277)	(30 611 158)
Amount paid - previous years	-	129 922	-	-
	<b>4 805 769</b>	<b>129 922</b>	<b>4 805 769</b>	<b>-</b>

#### Pension and Medical Aid Deductions

Opening balance	-	8 572 784	-	8 572 784
Current year subscription / fee	33 426 824	31 189 259	33 426 824	31 189 259
Amount paid - current year	(30 637 435)	(39 762 043)	(30 637 435)	(39 762 043)
	<b>2 789 389</b>	<b>-</b>	<b>2 789 389</b>	<b>-</b>

#### VAT

VAT receivable	3 885 047	4 648 721	5 514 867	6 069 789
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VAT output payables and VAT input receivables are shown in note .

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations (MSCMR) any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and must be reported to Council. The expenses incurred as listed hereunder have been approved in compliance with Section 36 of the MSCMR.

#### Incident

Sole provider	11 097	-	11 097	-
Impractical to follow SCM procedures	174 164	60 904	174 164	60 904
	<b>185 261</b>	<b>60 904</b>	<b>185 261</b>	<b>60 904</b>

# West Rand District Municipality Group

(Registration number DC48)

Trading as West Rand District Municipality Group

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

### 53. Deviation from supply chain management regulations

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

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

Deviation on transactions relating to COVID 19 expenditure was made in accordance with MFMA Circulars 100, 101 and 102. Regulation 18 of the Municipal Supply Chain Management Regulations state that all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity. All COVID 19 procurement requirements over R30 000 were not advertised for the number of days prescribed by Regulation 18 as their urgent nature made it impractical to do so, hence the procurement was done in accordance with Regulation 36 of the Municipal Supply Chain Management Regulations.

### 54. Non-compliance with Laws and Regulations

The municipality did not always comply with the provisions of Section 65(2)(e) of the MFMA which requires that all payments be reasonably made within 30 days. The non-compliance is directly attributable to the financial challenges experienced by the municipality. The accounting officer has taken all reasonable step to ensure payments are made by negotiating with its creditors to implement the extended payment plan linked with the dates of receipt of equitable share.