

Planning by	Reviewed	Performed by	Final review

Client details

Client name: West Rand District Municipality
Year end: 30 June 2021

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West Rand District Municipality
(Registration number DC48)
Annual Financial Statements
for the year ended 30 June 2021

West Rand District Municipality

(Registration number DC48)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

District Municipality
DC48
Municipal Finance Management Act (No. 56 of 2003)

Nature of business and principal activities

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.

Members of Council

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 I.M Rebelo
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
Cllr W. Segolodi

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General Information

	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
Grading of local authority	Medium Capacity Category C
Accounting Officer	E.M Koloji
Chief Finance Officer (CFO)	L.S Ramaele
Registered office	Cnr Sixth & Park Street Randfontein 1760
Business address	Private Bag X033 Randfontein 1760
Bankers	First National Bank Standard Bank of South Africa
Auditors	Auditor General South Africa

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

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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
SLA	Service level agreement
SCM	Supply chain management
ME's	Municipal entities
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

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality had or has access to adequate resources to continue in operational existence for the foreseeable future. This also takes into consideration a financial recovery plan implemented on the monthly basis and reporting progress of implementation to National and Provincial Treasury.

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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

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 31 August 2021 and were signed by:

E.M Koloi
Acting Municipal Manager

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus/ (deficit) of R (106 384 562) and that the entity's total liabilities exceed its assets by R (106 384 562). The municipality had a surplus/ (deficit) for the year of R (15 771 282).

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 municipality 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 2021 and the date of submission of the annual financial statements have been taken into account and appropriately reported. Please refer to note 47.

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. Discontinued operations

The accounting officer also draws attention to the unwinding process of its municipal entity (West Rand Development Agency) which has taken place on 31 March 2021. This was implemented following the resolution of a Council meeting which took place on 29 June 2020. In this light, all employees, assets and liabilities of the municipal entity has been transferred to the Parent municipality (West Rand District Municipality) as at 1 April 2021.

6. 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

7. Bankers

The Municipality primarily banks with First National Bank.

The Municipality also banks with Standard Bank of Southern Africa.

8. Auditors

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

9. 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 56.

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

E.M Koloj
Acting Municipal Manager

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	86 153	90 108
Receivables from exchange transactions	4	3 819 510	8 467 293
Receivables from non-exchange transactions	5	2 640 032	2 814 981
VAT receivable	6	-	5 514 867
Non-current assets held for sale	7	290 121	290 120
Cash and cash equivalents	8	1 323 024	1 045 473
		8 158 840	18 222 842
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	90 821	264 287
Investment property	10	6 300 000	6 900 000
Property, plant and equipment	11	64 055 784	52 489 252
Investments in controlled entities	12	-	14 578 528
Long-term Receivables	13	254 916	254 916
		70 701 521	74 486 983
Total Assets		78 860 361	92 709 825
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	73 127 818	78 481 041
Transfers payable (non-exchange)	15	30 444 344	30 444 344
VAT payable	16	869 788	-
Employee benefit obligations	17	1 840 556	2 315 936
Unspent conditional grants and receipts	18	2 640 032	1 318 119
Provisions	19	13 913 470	14 045 545
		122 836 008	126 604 985
Non-Current Liabilities			
Employee benefit obligations	17	46 416 299	42 995 442
Provisions	19	15 992 616	13 695 236
		62 408 915	56 690 678
Total Liabilities		185 244 923	183 295 663
Net Liabilities		(106 384 562)	(90 585 838)
Accumulated deficit		(106 384 562)	(90 585 838)

* See Note 46

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	1 196 906	1 558 880
Rental of facilities and equipment	21	1 762 027	1 830 372
Interest on outstanding receivables		258 445	533 496
Licences and permits	22	104 278	117 272
Recoveries	23	57 843	7 611
Operating income	24	4 882 876	3 628 453
Interest earned	25	1 021 171	769 237
Total revenue from exchange transactions		9 283 546	8 445 321
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	27	240 107 136	271 478 397
Total revenue		249 390 682	279 923 718
Expenditure			
Employee related costs	28	(195 837 834)	(181 590 505)
Remuneration of councillors	29	(12 572 380)	(13 243 521)
Depreciation	30	(4 488 619)	(4 454 176)
Interest costs and penalties	32	(8 453 726)	(8 399 930)
Lease rentals on operating lease	33	(208 149)	(5 349 172)
Contributions to/ (reversals) of debt impairment provision	34	3 027 983	(8 239 732)
Contracted services	35	(5 531 548)	(17 945 887)
Transfers and Subsidies	36	(9 561 878)	(7 444 069)
Operating costs	37	(21 079 084)	(24 795 476)
Total expenditure		(254 705 235)	(271 462 468)
Operating (deficit) surplus		(5 314 553)	8 461 250
Loss on disposal of assets and liabilities		-	(3)
Loss on foreign exchange transactions	38	(319 098)	-
Fair value adjustments	39	(773 466)	1 233 229
Actuarial gains/ (losses)	36&19&17	932 011	17 169 651
Impairment of assets	31	-	(1 964 371)
Loss on investment in controlled entities		(3 540 026)	-
Workmen's compensation movement	19	(1 236 904)	(1 149 450)
		(4 937 483)	15 289 056
(Deficit) surplus for the year from continuing operations		(10 252 036)	23 750 306
Loss on transfer of functions	48&40	(5 519 251)	-
(Deficit)/ surplus for the year		(15 771 287)	23 750 306

* See Note 46

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated deficit	Total net assets
Balance at 01 July 2019	(114 336 144)	(114 336 144)
Changes in net assets		
Surplus for the year	23 750 306	23 750 306
Total changes	23 750 306	23 750 306
Opening balance as previously reported	(94 484 547)	(94 484 547)
Adjustments		
Prior year adjustments (Note 46)	3 871 272	3 871 272
Restated* Balance at 01 July 2020 as restated*	(90 613 275)	(90 613 275)
Changes in net assets		
Deficit for the year	(15 771 287)	(15 771 287)
Total changes	(15 771 287)	(15 771 287)
Balance at 30 June 2021	(106 384 562)	(106 384 562)

Note(s)

* See Note 46

West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		244 435 693	233 345 575
Interest income		1 021 171	769 237
Other receipts		16 693 859	21 735 278
		262 150 723	255 850 090
Payments			
Employee costs		(207 977 058)	(183 628 433)
Suppliers		(50 964 007)	(59 793 523)
Interest costs and penalties		-	(648 666)
		(258 941 065)	(244 070 622)
Net cash flows from operating activities	41	3 209 658	11 779 468
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4 039 634)	(17 999)
Purchase of investment property	10	-	-
Net cash flows from transfer of functions	40	1 107 527	-
Net cash flows from investing activities		(2 932 107)	(17 999)
Cash flows from financing activities			
Finance lease payments		-	(13 216 569)
Inter-company loan		-	5 000 000
Repayment of inter-company loan		-	(5 000 000)
Net cash flows from financing activities		-	(13 216 569)
Net increase/ (decrease) in cash and cash equivalents		277 551	(1 455 100)
Cash and cash equivalents at the beginning of the year		1 045 473	2 500 573
Cash and cash equivalents at the end of the year	8	1 323 024	1 045 473

* See Note 46

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Fire prevention fee	1 950 000	-	1 950 000	1 196 906	(753 094)	A
Rental of facilities and equipment	1 961 000	-	1 961 000	1 762 027	(198 973)	B
Interest on outstanding receivables	427 000	-	427 000	258 445	(168 555)	
Licences and permits	400 000	-	400 000	104 278	(295 722)	C
Recoveries	-	-	-	57 843	57 843	
Operating income	14 560 000	(333 000)	14 227 000	4 882 876	(9 344 124)	D
Interest earned	750 000	-	750 000	1 021 171	271 171	E
Total revenue from exchange transactions	20 048 000	(333 000)	19 715 000	9 283 546	(10 431 454)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	241 910 000	(223 000)	241 687 000	240 107 136	(1 579 864)	F
Total revenue	261 958 000	(556 000)	261 402 000	249 390 682	(12 011 318)	
Expenditure						
Employee related costs	(189 656 000)	(200 000)	(189 856 000)	(195 837 834)	(5 981 834)	G
Remuneration of councillors	(13 931 000)	-	(13 931 000)	(12 572 380)	1 358 620	H
Depreciation and amortisation	(7 000 000)	2 960 000	(4 040 000)	(4 488 619)	(448 619)	I
Finance costs	-	-	-	(8 453 726)	(8 453 726)	J
Lease rentals on operating lease	-	-	-	(208 149)	(208 149)	
Debt impairment	-	-	-	3 027 983	3 027 983	K
Contracted Services	(9 324 000)	126 000	(9 198 000)	(5 531 548)	3 666 452	L
Transfers and Subsidies	(11 223 000)	-	(11 223 000)	(9 561 878)	1 661 122	M
Operating costs	(29 661 000)	5 246 000	(24 415 000)	(21 079 084)	3 335 916	N
Total expenditure	(260 795 000)	8 132 000	(252 663 000)	(254 705 235)	(2 042 235)	
Operating deficit	1 163 000	7 576 000	8 739 000	(5 314 553)	(14 053 553)	
Loss on foreign exchange	-	(320 000)	(320 000)	(319 098)	902	
Fair value adjustments	-	-	-	(773 466)	(773 466)	O
Actuarial gains/losses	-	-	-	932 011	932 011	U
Loss on investment in controlled entities	-	-	-	(3 540 026)	(3 540 026)	
Workmen's compensation provision	-	-	-	(1 236 904)	(1 236 904)	W
	-	(320 000)	(320 000)	(4 937 483)	(4 617 483)	
Deficit	1 163 000	7 256 000	8 419 000	(10 252 036)	(18 671 036)	
Deficit for the year from continuing operations	1 163 000	7 256 000	8 419 000	(10 252 036)	(18 671 036)	
Loss on transfer of functions	-	-	-	(5 519 251)	(5 519 251)	

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Annual Financial Statements for the year ended 30 June 2021

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						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 163 000	7 256 000	8 419 000	(15 771 287)	(24 190 287)	

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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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	136 000	150 000	286 000	86 153	(199 847)	P
Receivables from exchange transactions	17 995 000	(3 000 000)	14 995 000	3 819 510	(11 175 490)	Q
Receivables from non-exchange transactions	-	-	-	2 640 032	2 640 032	
VAT receivable	-	-	-	(869 788)	(869 788)	R
Non-current assets held for sale	-	-	-	290 121	290 121	
Cash and cash equivalents	-	-	-	1 323 027	1 323 027	S
	18 131 000	(2 850 000)	15 281 000	7 289 055	(7 991 945)	

Non-Current Assets

Biological assets that form part of an agricultural activity	338 000	(74 000)	264 000	90 821	(173 179)	O
Investment property	5 800 000	1 100 000	6 900 000	6 300 000	(600 000)	O
Property, plant and equipment	68 141 000	(3 363 000)	64 778 000	64 055 784	(722 216)	I
Investments in controlled entities	14 579 000	(14 579 000)	-	-	-	
Long-term Receivables	-	-	-	254 916	254 916	
	88 858 000	(16 916 000)	71 942 000	70 701 521	(1 240 479)	
Total Assets	106 989 000	(19 766 000)	87 223 000	77 990 576	(9 232 424)	

Liabilities

Current Liabilities

Payables from exchange transactions	66 102 656	(22 596 000)	43 506 656	73 127 818	29 621 162	
Transfers payable (non-exchange)	30 444 344	-	30 444 344	30 444 344	-	
Employee benefit obligations	-	-	-	1 840 556	1 840 556	U
Unspent conditional grants and receipts	-	-	-	2 640 032	2 640 032	V
Provisions	16 520 000	(2 698 000)	13 822 000	13 913 470	91 470	W
	113 067 000	(25 294 000)	87 773 000	121 966 220	34 193 220	

Non-Current Liabilities

Employee benefit obligations	43 500 000	-	43 500 000	46 416 299	2 916 299	U
Provisions	13 137 000	-	13 137 000	15 992 616	2 855 616	
	56 637 000	-	56 637 000	62 408 915	5 771 915	
Total Liabilities	169 704 000	(25 294 000)	144 410 000	184 375 135	39 965 135	
Net Liabilities	(62 715 000)	5 528 000	(57 187 000)	(106 384 559)	(49 197 559)	

Net Liabilities

Net Liabilities Attributable to Owners of Controlling Entity

Reserves

Accumulated deficit	(62 715 000)	5 528 000	(57 187 000)	(106 384 559)	(49 197 559)	T
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Annual Financial Statements for the year ended 30 June 2021

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						

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Annual Financial Statements for the year ended 30 June 2021

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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	241 910 000	(726 000)	241 184 000	244 435 693	3 251 693	V
Interest income	-	750 000	750 000	1 021 171	271 171	E
Other receipts	19 297 000	(190 000)	19 107 000	16 693 859	(2 413 141)	A, C, D
	261 207 000	(166 000)	261 041 000	262 150 723	1 109 723	
Payments						
Employee costs	(203 587 000)	(200 000)	(203 787 000)	(207 977 058)	(4 190 058)	G
Suppliers	(53 770 000)	(1 829 000)	(55 599 000)	(50 964 007)	4 634 993	X
	(257 357 000)	(2 029 000)	(259 386 000)	(258 941 065)	444 935	
Net cash flows from operating activities	3 850 000	(2 195 000)	1 655 000	3 209 658	1 554 658	
Cash flows from investing activities						
Purchase of property, plant and equipment	(4 650 000)	(350 000)	(5 000 000)	(4 039 634)	960 366	Z
Proceeds from sale of property, plant and equipment	800 000	-	800 000	-	(800 000)	Z
Transfer of assets from the municipal entity	-	1 500 000	1 500 000	1 107 527	(392 473)	T
Net cash flows from investing activities	(3 850 000)	1 150 000	(2 700 000)	(2 932 107)	(232 107)	
Net increase/(decrease) in cash and cash equivalents	-	(1 045 000)	(1 045 000)	277 551	1 322 551	
Cash and cash equivalents at the beginning of the year	-	1 045 000	1 045 000	1 045 473	473	
Cash and cash equivalents at the end of the year	-	-	-	1 323 024	1 323 024	

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Annual Financial Statements for the year ended 30 June 2021

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 under-collected due to the impact lockdown restrictions and offices being closed due to positive COVID-19 cases picked up.

B - The decrease is due to the service level agreements of some consumer and rental customers reaching the expiry dates and need to be reviewed.

C - Under-collection was mainly driven by the negative economic effects caused by the COVID-19 pandemic where some of businesses closed down.

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 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 and statutory obligations.

F - Under-collection is due to the reclassification of LG seta grant disclosed under operating income and not under grants and subsidies

G - Over expenditure on employee related costs is due to the current service cost on long service and medical aid liability as non-cash items valued at year-end. The municipality has significant increase in leave payable due to employees not taking leave during the year since 60% of the staff complement was working remotely. The staff complement of the municipal entity was transferred to the district together with the available leave payable balances, following the finalisation of the unwinding process of the municipal entity.

H - Under-expenditure is due to the concurrence for increasing the councilor's remuneration not being approved by the MEC due to the financial challenges being faced by the municipality.

I - Under-expenditure was driven by the municipality's fixed assets useful lives gradually reaching the end of their life span and each asset condition will need to be assessed in the next financial year.

J - Increase in interest costs and penalties is due to the interest cost accrued for long service award liability, medical aid liability and interest on workman's compensation provision charged.

K - Decrease in impairment is due to commitments shown by consumer debtors and Merafong City Local Municipality in settling their debts.

L - Under expenditure in contracted services relates to the network administration and rental of municipal vehicles contracts not being renewed after they have lapsed. Legal fees were also curbed as part of the financial turnaround strategy.

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

N - Under expenditure is mainly due to savings realised on the new insurance contract and municipal levies for low consumption on services since 60% of the staff complement was working remotely.

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 and cost containment policy approved by Council limited stock items were procured during the year.

Q - This is due to achieving a better collection rate than it was anticipated and also providing for doubtful debts at year-end.

R - The increase in payable is due to the VAT liability transferred from the municipal entity, following the unwinding process.

S - The bank had a favourable bank balance due to outstanding third party payments which were still outstanding at year-end.

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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
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Figures in Rand

T - This is due to the unwinding process of the municipal entity and derecognition of the investment in controlled entities. The remaining assets and liabilities of the municipal entity were transferred to the Parent municipality.

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

V - The unspent of grants is due to the delay in implementing HIV/ Aids programmes due to COVID-19 protective equipment and clothing not procured within the timelines as per the implementation plan. Addendum SLA's were prepared to include procurement of protective equipment and clothing.

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

X - This is due to the settlement of long outstanding creditors whenever cash is available and it is in terms of the payment arrangements the municipality has with it's suppliers.

Z - This is due to the delayed procurement of computer equipment because of service provider being appointed after year-end. The budget has been shifted to the new financial year.

The disposal of mayoral house was delayed due to a competitive bidding process timelines which needs to be adhered to in terms of the SCM regulations.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Fire prevention fee	1 950 000	-	1 950 000	-	-	1 950 000	1 196 906	-	(753 094)	61 %	61 %
Interest earned	1 177 000	-	1 177 000	-	-	1 177 000	1 021 171	-	(155 829)	87 %	87 %
Transfers recognised - operational	239 295 000	(726 000)	238 569 000	-	-	238 569 000	236 989 136	-	(1 579 864)	99 %	99 %
Other own revenue	16 921 000	(333 000)	16 588 000	-	-	16 588 000	9 872 088	-	(6 715 912)	60 %	58 %
Total revenue (excluding capital transfers and contributions)	259 343 000	(1 059 000)	258 284 000	-	-	258 284 000	249 079 301	-	(9 204 699)	96 %	96 %
Employee costs	(189 656 000)	(200 000)	(189 856 000)	-	-	(189 856 000)	(195 837 834)	-	(5 981 834)	103 %	103 %
Remuneration of councillors	(13 931 000)	-	(13 931 000)	-	-	(13 931 000)	(12 572 380)	-	1 358 620	90 %	90 %
Debt impairment	-	-	-	-	-	-	3 027 983	-	3 027 983	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(7 000 000)	2 960 000	(4 040 000)	-	-	(4 040 000)	(4 488 619)	-	(448 619)	111 %	64 %
Finance charges	-	-	-	-	-	-	(8 453 726)	-	(8 453 726)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(220 000)	-	(220 000)	-	-	(220 000)	-	-	220 000	- %	- %
Transfers and grants	(11 223 000)	-	(11 223 000)	-	-	(11 223 000)	(9 561 878)	-	1 661 122	85 %	85 %
Other expenditure	(38 765 000)	5 052 000	(33 713 000)	-	-	(33 713 000)	(40 082 134)	-	(6 369 134)	119 %	103 %
Total expenditure	(260 795 000)	7 812 000	(252 983 000)	-	-	(252 983 000)	(267 968 588)	(14 985 588)	(14 985 588)	106 %	103 %
Surplus/(Deficit)	(1 452 000)	6 753 000	5 301 000	-	-	5 301 000	(18 889 287)	-	(24 190 287)	(356)%	1 301 %

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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	2 615 000	503 000	3 118 000	-		3 118 000	3 118 000		-	100 %	119 %
Surplus (Deficit) after capital transfers and contributions	1 163 000	7 256 000	8 419 000	-		8 419 000	(15 771 287)		(24 190 287)	(187)%	(1 356)%
Surplus/(Deficit) for the year	1 163 000	7 256 000	8 419 000	-		8 419 000	(15 771 287)		(24 190 287)	(187)%	(1 356)%
Cash flows											
Net cash from (used) operating	3 850 000	(2 195 000)	1 655 000	-		1 655 000	3 209 658		1 554 658	194 %	83 %
Net cash from (used) investing	(3 850 000)	1 150 000	(2 700 000)	-		(2 700 000)	(2 932 107)		(232 107)	109 %	76 %
Net increase/(decrease) in cash and cash equivalents	-	(1 045 000)	(1 045 000)	-		(1 045 000)	277 551		1 322 551	(27)%	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	(1 045 000)	(1 045 000)	-		(1 045 000)	1 045 473		2 090 473	(100)%	DIV/0 %
Cash and cash equivalents at year end	-	(2 090 000)	(2 090 000)	-		(2 090 000)	1 323 024		(3 413 024)	(63)%	DIV/0 %

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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
2020				
Financial Performance				
Service charges				1 558 880
Interest earned				769 237
Transfers recognised - operational				271 478 397
Other own revenue				24 586 855
Total revenue (excluding capital transfers and contributions)				298 393 369
Employee costs	-	-	-	(181 590 505)
Remuneration of councillors	-	-	-	(13 243 521)
Debt impairment	-	-	-	(8 239 732)
Depreciation and asset impairment	-	-	-	(6 418 547)
Finance charges	-	-	-	(8 399 930)
Transfers and grants	-	-	-	(7 444 069)
Other expenditure	-	-	-	(49 306 759)
Total expenditure	-	-	-	(274 643 063)
Surplus/(Deficit)				23 750 306
Surplus/(Deficit) for the year				23 750 306

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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
Cash flows				
Net cash from (used) operating				11 779 468
Net cash from (used) investing				(17 999)
Net cash from (used) financing				(13 216 569)
Net increase/(decrease) in cash and cash equivalents				(1 455 100)
Cash and cash equivalents at the beginning of the year				(2 500 573)
Cash and cash equivalents at year end				(3 955 673)

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. 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 19 - Provisions.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the 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 17.

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 2021

Accounting Policies

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:

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
Security measures	Straight-line	5 - 15 years

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

Other leased assets	Straight-line	2 - 3 years
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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

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:

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

1.9 Investments in controlled entities

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).

Following the Council decision to disestablish the municipal entity, the loss identified from the derecognition of the investment in controlled entities during the unwinding process has been written off to profit and loss.

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

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

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

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

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 municipality 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 municipality 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 municipality 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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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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.

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.

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Accounting Policies

1.12 Inventories (continued)

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 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 has finalised the unwinding process of its municipal entity during the current financial year. All assets and liabilities of the municipal entity has been transferred back the municipality.

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.

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

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.

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 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-measures 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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Accounting Policies

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 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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Accounting Policies

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 44.

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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Accounting Policies

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.

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

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.

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Accounting Policies

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.

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.

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1.25 Budget information (continued)

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 2020/07/01 to 2021/06/30.

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.

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.

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Accounting Policies

1.27 Events after reporting date (continued)

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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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">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
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact

3. Inventories

Consumable stores 86 153 90 108

4. Receivables from exchange transactions

Contributions from local municipalities	7 225 800	16 025 800
Other consumer debtors	6 061 178	4 936 944
Fire debtors	3 691 891	3 691 891
Impairment of Receivables	(13 159 359)	(16 187 342)
	3 819 510	8 467 293

Gross receivables are as follows:

Contributions from local municipalities	7 225 800	16 025 800
Other consumer debtors	6 061 178	4 936 944
Fire debtors	3 691 891	3 691 891
	16 978 869	24 654 635

Impairment on receivables above are as follows:

Contributions from local municipalities	(7 225 800)	(9 225 800)
Other consumer debtors	(2 241 668)	(3 627 399)
Fire debtors	(3 691 891)	(3 334 143)
	(13 159 359)	(16 187 342)

Net receivables as per transactions above - -

Total receivables from exchange transactions 3 819 510 8 467 293

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 16 978 869 (2020: R 24 654 635) were impaired and provided for.

The amount of the provision was R (13 159 359) as of 30 June 2021 (2020: R (16 187 342)).

The ageing of these debts is as follows:

3 to 6 months	739 238	415 622
Over 6 months	12 420 121	15 771 720

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Receivables from non-exchange transactions		
Government grants and subsidies (HIV/Aids subsidy held by local municipalities)	2 640 032	814 981
Other receivables from non-exchange (Municipal entity conditional grant)	-	2 000 000
	2 640 032	2 814 981

6. VAT receivable

VAT	-	5 514 867
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The amount relates to amounts receivable from SARS as at 30 June 2020.

7. Non-current assets held for sale

Non-current assets held for sale	290 121	290 120
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The municipality experienced challenges in disposing non-current assets held for sale during the year due to the impact of COVID-19 pandemic. The municipality recently went on the competitive bidding process to dispose non-current assets held for sale to the highest bidder and the process is presently at the bid evaluation stage.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16 588	7 116
Bank balances	128 372	193 904
Short-term deposits	1 178 064	844 453
	1 323 024	1 045 473

Ring-fenced conditional grants as concomitant assets

Cash and cash equivalents held by the entity that are not available for use by the municipality - 503 196

The funds are ring-fenced for rural asset management grant roll-over.

Cash and cash equivalents held by the entity that are available for use by the municipality 1 325 984 542 277

The funds are not attached to any conditional grant.

The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Corporate	51 535	109 039	2 438 145	9 967	124 551	2 443 190
Standard Bank - Corporate	96 386	69 353	47 180	118 405	69 353	47 180
Standard Bank - Call Account	2 967	2 967	2 967	2 967	2 967	2 967
First National Bank - Call Account	1 175 096	841 486	-	1 175 096	841 486	-
Petty Cash	-	-	-	23	7 116	7 205
First National Bank E-wallet cards	16 566	-	-	16 566	-	-
Total	1 342 550	1 022 845	2 488 292	1 323 024	1 045 473	2 500 542

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9. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Flowers	90 821	-	90 821	264 287	-	264 287

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	264 287	(173 466)	90 821

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

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

Non-financial information

Quantities of each biological asset

Biological assets - Flowers	133 560	198 000
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The municipality performed a physical verification of all biological assets at 30 June 2021.

A register of all biological assets is available at the Regional planning and Re-industrialisation department of the municipality for inspection. Biological assets are situated at Merafong Flora and Mulriflora prices were utilised as a basis of the valuation.

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.

The drop in the value of biological assets is as result of the decline in unit price of flowers from R1.67 in the previous financial year to R0.68 in the current financial year. This is as a result of low demand for flowers as potential buyers had numerous COVID-19 lockdown restrictions, resulting in low demand for flowers.

10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 300 000	-	6 300 000	6 900 000	-	6 900 000

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10. Investment property (continued)

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	6 900 000	(600 000)	6 300 000

Reconciliation of investment property - 2020

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

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	850 305	835 514
Expenses incurred for the year	(184 675)	(143 082)
	665 630	692 432

The effective date of the valuation was 30 June 2021. Valuations were performed by an independent valuer, Kagiso Lefala (Professional Valuer-SACPVP Reg no: 7945). Kagiso Lefala is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on rental income payable by BP Southern Africa in terms of the signed rental agreement using the income capitalisation approach.

These assumptions are based on current market conditions

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11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 118 881	-	12 118 881	1 425 001	-	1 425 001
Buildings	43 456 339	(32 445 379)	11 010 960	37 529 231	(26 638 229)	10 891 002
Plant and machinery	4 621 097	(4 479 895)	141 202	4 383 844	(4 202 557)	181 287
Furniture and fixtures	5 229 786	(4 876 819)	352 967	4 713 071	(4 317 306)	395 765
Motor vehicles	17 633 722	(13 454 954)	4 178 768	13 744 595	(12 572 195)	1 172 400
Infrastructure	10 456 141	(8 570 137)	1 886 004	8 684 377	(6 898 045)	1 786 332
Security measures	9 034 194	(8 631 502)	402 692	5 061 649	(4 887 784)	173 865
Emergency equipments	3 061 553	(2 970 136)	91 417	3 061 553	(2 955 362)	106 191
Other property, plant and equipment	20 340	(18 609)	1 731	20 338	(18 353)	1 985
Electrical equipment	477 850	(371 675)	106 175	152 259	(76 656)	75 603
Office equipment	12 823 695	(12 241 940)	581 755	12 414 924	(11 790 624)	624 300
Specialised vehicles	39 741 658	(10 942 526)	28 799 132	39 741 658	(8 794 985)	30 946 673
Community Facilities	9 757 656	(5 373 556)	4 384 100	9 757 656	(5 048 808)	4 708 848
Total	168 432 912	(104 377 128)	64 055 784	140 690 156	(88 200 904)	52 489 252

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Depreciation	Total
Land	1 425 001	-	10 693 880	-	12 118 881
Buildings	10 891 002	24 116	725 267	(629 425)	11 010 960
Plant and machinery	181 287	-	8 777	(48 867)	141 202
Furniture and fixtures	395 765	-	40 012	(82 819)	352 967
Motor vehicles	1 172 400	3 889 127	-	(882 759)	4 178 768
Infrastructure	1 786 332	-	258 019	(158 347)	1 886 004
Security measures	173 865	-	250 662	(21 835)	402 692
Emergency equipment	106 191	-	-	(14 774)	91 417
Other property, plant and equipment	1 985	-	-	(256)	1 731
Electrical equipment	75 603	-	36 285	(5 713)	106 175
Office equipment	624 300	126 391	2 863	(172 158)	581 755
Specialised vehicles	30 946 673	-	-	(2 147 541)	28 799 132
Community facilities	4 708 848	-	-	(324 748)	4 384 100
	52 489 252	4 039 634	12 015 765	(4 489 242)	64 055 784

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 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	243 151	7 000	(71)	-	(68 793)	-	181 287
Furniture and fixtures	529 084	-	(365)	-	(132 954)	-	395 765
Motor vehicles	1 433 250	-	-	-	(260 850)	-	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	124 808	-	-	-	(18 617)	-	106 191
Other property, plant and equipment	3 110	-	(831)	-	(294)	-	1 985
Electrical equipment	81 203	-	-	-	(5 600)	-	75 603
Office equipment	811 968	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	11 512	-	-	(11 512)	-	-	-
Specialised vehicles	2 814 331	-	-	29 499 724	(1 367 382)	-	30 946 673
Community Facilities	5 057 651	-	-	-	(348 803)	-	4 708 848
	58 884 615	24 999	(1 816)	-	(4 454 174)	(1 964 372)	52 489 252

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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12. Investments in controlled entities

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
West Rand Development Agency		- %	100,00 %	-	14 578 528

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).

Investment in controlled entities has been derecognised during the year due to the unwinding process of the municipal entity and transferring back assets/ liabilities of the entity back to the Parent Municipality.

13. Long-term Receivables

Study assistance	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.

14. Payables from exchange transactions

Trade payables (1)	37 791 398	43 577 070
Debtors with credit balances	40 787	40 787
Third parties outstanding (2)	8 794 200	10 998 622
Leave payable (3)	26 488 908	23 852 037
Stock in transit	12 525	12 525
	73 127 818	78 481 041

(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. This also includes the trade creditors which has been transferred from the Agency due to the unwinding process.

(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 2021.

(3) The significant increase in leave days relates to transfer of leave balance from the Agency employees due to the unwinding process and days which were not taken by employees of the District during the lock down restrictions.

15. Transfers payable (non-exchange)

Transfers payable	30 444 344	30 444 344
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15. Transfers payable (non-exchange) (continued)

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.

16. VAT payable

VAT payables	869 788	-
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The amount relates to amounts payable to SARS as at 30 June 2021.

17. Employee benefit obligations

Defined benefit plan

Post-Retirement Medical Plan Obligation	1 840 556	2 315 936
Post-Retirement Medical Obligation	46 416 299	42 995 442
	48 256 855	45 311 378

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 2021. 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	45 311 378	56 281 496
Benefits paid	(2 315 936)	(2 494 905)
Net expense recognised in the statement of financial performance	5 261 413	(8 475 213)
	48 256 855	45 311 378

Net expense recognised in the statement of financial performance

Current service cost	2 169 137	2 784 750
Interest cost	5 898 895	5 883 139
Actuarial (gains) losses	(2 806 619)	(17 143 102)
	5 261 413	(8 475 213)

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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,55 %	13,36 %
Health care cost inflation	7,98 %	9,08 %
Consumer price inflation	6,48 %	7,58 %
Net discount rate	3,31 %	3,92 %

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 11.55% 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 2021.

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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17. 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
Effect on the aggregate of the service cost and interest cost	8 524 930	7 007 160
Effect on defined benefit obligation	41 932 451	56 147 556

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

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	48 256 855	45 311 378	56 281 496	56 594 036	51 940 686

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Figures in Rand	2021	2020
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Rural Roads Asset Management Systems grant (1)	-	503 136
HIV/AIDS subsidy (2)	2 640 032	814 983
	2 640 032	1 318 119
Movement during the year		
Balance at the beginning of the year	1 318 119	47 814 928
Additions during the year	241 429 049	224 981 588
Income recognition during the year	(240 107 136)	(271 478 397)
	2 640 032	1 318 119

(1) 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.

(2) Mogale City Local Municipality, Rand West City Local Municipality and Merafong 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.

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

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

These amounts are invested in a ring-fenced investment accounts of the local municipalities until utilised.

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Figures in Rand	2021	2020			
19. Provisions					
Reconciliation of provisions - 2021					
	Opening Balance	Additions	Settled during the year	Interest charged	Total
Arbitration awards (1)	1 857 186	-	(1 857 186)	-	-
Long Service Award provision (2)	15 322 106	2 550 371	-	-	17 872 477
Performance Bonus (3)	832 269	225 874	-	-	1 058 143
Department of labour assessment provision (4)	9 511 906	1 236 904	-	214 976	10 963 786
Interest on pension funds (5)	217 314	11 674	(217 308)	-	11 680
	27 740 781	4 024 823	(2 074 494)	214 976	29 906 086
Reconciliation of provisions - 2020					
	Opening Balance	Additions	Reversed during the year	Interest charged	Total
Arbitration awards (1)	-	1 857 186	-	-	1 857 186
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	-	-	11 679	217 314
	24 014 297	3 627 845	(101 798)	200 437	27 740 781
Non-current liabilities				15 992 616	13 695 236
Current liabilities				13 913 470	14 045 545
				29 906 086	27 740 781

(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:

Opening balance	1 857 187	-
Arbitration awards through court order	-	1 857 187
Settled during the year	(1 857 187)	-
	-	1 857 187

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Figures in Rand	2021	2020
19. Provisions (continued)		
Long service awards		
Opening accrued liability	15 322 106	14 700 897
Current service cost	1 037 477	1 034 560
Current interest	1 265 156	1 149 453
Expected benefits paid	(1 626 870)	(1 536 255)
Actuarial gain/ (loss) over financial year	1 874 608	(26 549)
	17 872 477	15 322 106

Performance bonus

This relates to bonuses for section 56 managers:

Opening liability accrued	832 269	934 067
Movement based on year end assessment	225 874	(101 798)
	1 058 143	832 269

Department of labour assessment provision

This relates to provision for workmen's compensation:

Opening liability accrued	9 511 906	8 173 698
1% of basic earnings	1 236 904	1 149 450
Interest charged	214 976	188 758
	10 963 786	9 511 906

Employee benefit cost provision

This relates to interest on late payments to benefit funds:

Opening liability accrued	217 314	205 635
Interest charged on late payments	11 670	11 679
Settled during the year	(217 304)	-
	11 680	217 314

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20. Service charges		
Electricity on properties rented out	231 747	611 075
Fire and rescue services	965 159	910 531
Other service charges	-	37 274
	1 196 906	1 558 880
21. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities (Shops and BP garage)	1 753 549	1 654 556
Parking spaces	8 478	175 816
	1 762 027	1 830 372
22. Licences and permits (exchange)		
Atmospheric air quality licensing	104 278	117 272
23. Recoveries		
Insurance claims	57 843	-
Recovery - Municipal expenditure	-	7 611
	57 843	7 611
24. Operating income		
Donaldson Dam revenue	51 183	-
Commission	-	73 359
Sale of plants	-	9 519
LG Seta Grant (2)	4 831 693	3 545 575
	4 882 876	3 628 453
<p>(1) Donaldson Dam revenue relates to income from the following sources:</p> <ul style="list-style-type: none">- Gate takings- Fish catch and release		
<p>(2) The amount received from LG SETA relates to amounts claimed training of staff members and stipends paid to interns.</p>		
25. Interest earned		
Interest revenue		
Favourable bank balance	2 576	460 445
Call account	1 018 595	308 792
	1 021 171	769 237

The call account was opened with the intention of ring-fencing conditional grants. Funds in the call account are available on demand.

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Figures in Rand	2021	2020
26. Actuarial gains/ losses		
Actuarial gains/ losses is made up of the following;		
Long service award	(1 874 608)	26 549
Post Employment Medical Subsidy	2 806 619	17 143 102
	932 011	17 169 651

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27. Government grants and subsidies		
Operating grants		
Equitable share	42 470 000	39 436 000
RSC Replacement grant	181 276 000	168 065 560
Expanded public works programme	1 020 000	1 080 000
Municipal Disaster Relief Grant	-	119 000
Financial management grant	1 000 000	1 000 000
Fire brigade service grant	-	40 108 423
Disaster management grant	-	7 876 550
HIV/AIDS grant	11 223 000	8 248 000
Network Libraries	-	2 800 000
Rural asset management grant	3 118 136	2 244 864
Performance Management Systems grant	-	500 000
	240 107 136	271 478 397

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	16 361 136	63 976 837
Unconditional grants received	223 746 000	207 501 560
	240 107 136	271 478 397

Equitable share

Current-year receipts	42 470 000	39 436 000
Conditions met - transferred to revenue	(42 470 000)	(39 436 000)
	-	-

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

Expanded public works programme

Current-year receipts	1 020 000	1 080 000
Conditions met - transferred to revenue	(1 020 000)	(1 080 000)
	-	-

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

Municipal Disaster Relief Grant

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

The grant was used for COVID-19 related expenditure.

Financial management grant

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

The grant is used to promote and support reforms in financial management by building capacity in the municipality.

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Figures in Rand	2021	2020
27. Government grants and subsidies (continued)		
RSC Replacement grant		
Current-year receipts	181 276 000	153 869 000
Recoupment of NDPG grant	-	14 196 560
Conditions met - transferred to revenue	(181 276 000)	(168 065 560)
	-	-

The grant used as revenue adjustment factor as the district does not collect own revenue from service levies

HIV/AIDS grant

Current-year receipts	11 223 000	8 248 000
Conditions met - transferred to revenue	(11 223 000)	(8 248 000)
	-	-

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

Grant is utilised to finance HIV/AIDS project campaigns at the WRDM and its Local Municipalities.

Network Libraries

Current-year receipts	-	2 800 000
Conditions met - transferred to revenue	-	(2 800 000)
	-	-

This grant is used to assist with wireless connection and hardware of libraries within the West Rand region.

Rural asset management grant

Balance unspent at beginning of year	503 196	-
Current-year receipts	2 615 000	2 748 000
Conditions met - transferred to revenue	(3 118 196)	(2 244 804)
	-	503 196

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

This grant is used to improve asset management at rural and farming areas.

Fire brigade service grant

Balance unspent at beginning of year	-	20 108 423
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	-	(40 108 423)
	-	-

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.

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Figures in Rand	2021	2020
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27. Government grants and subsidies (continued)

Performance Management grant

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

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

Disaster management grant

Balance unspent at beginning of year	-	7 876 550
Conditions met - transferred to revenue	-	(7 876 550)
	-	-

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

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
Recoupment through RSC levy grant	-	(14 196 560)
	-	-

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

The grant is used for the development of Regional capital projects within West Rand region. The neighbourhood development partnership grant was indirectly gazetted to the municipality as a schedule 6B grant. The grant is therefore classified as technical assistance (TA) and not a conditional grant (CG). This means the transferring department makes direct payments of the project being implemented to the service provider.

Regional Bulk Infrastructure Grant

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

The grant is used for the development of Regional capital projects within West Rand region. The Regional Bulk Infrastructure Grant was indirectly gazetted as a schedule 6B grant. The grant is therefore classified as technical assistance (TA) and not a conditional grant (CG). This means the transferring department makes direct payments of the project being implemented to the service provider.

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28. Employee related costs		
Basic	120 184 348	116 026 405
Bonus	9 311 663	8 675 370
Medical aid - company contributions	12 020 000	11 657 570
UIF	625 374	625 468
SDL	1 316 998	1 177 084
Contributions to unions	198 566	185 705
Leave pay provision charge	3 779 837	389 321
Pension fund contribution	22 690 451	21 769 252
Group Insurance	2 112 537	2 012 714
Travel, motor car, accommodation, subsistence and other allowances	9 385 680	6 431 527
Overtime payments	79 419	1 280 413
Acting allowances	844 937	846 994
Housing benefits and allowances	1 144 593	923 905
Standby and night shift allowance	8 896 307	7 266 542
Bargaining council	40 510	39 180
Current service cost	3 206 614	2 283 055
	195 837 834	181 590 505

Executive Manager: Acting Municipal Manager (M.E. Koloji)

Annual Remuneration	1 125 192	1 125 192
Car Allowance	216 000	216 000
Acting allowance	246 105	111 866
Other	12 987	11 637
	1 600 284	1 464 695

Mr. M.E Koloji has been acting as the Municipal Manager from 1 November 2020 to date.

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

Annual Remuneration	-	764 018
Car Allowance	-	130 909
Leave resign	-	164 070
Other	-	10 626
	-	1 069 623

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

Chief Financial Officer (L.S Ramaele)

Annual Remuneration	1 041 894	295 530
Car Allowance	216 000	72 000
Acting allowance	-	50 498
Other	10 242	3 370
	1 268 136	421 398

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

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Figures in Rand	2021	2020
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28. Employee related costs (continued)

Remuneration of Former Chief Financial Officer (R. Mohaudi)

Annual Remuneration	-	516 600
Car Allowance	-	80 000
Other	-	5 806
	-	602 406

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

Acting Executive Manager: Regional planning and Reindustrialisation (M. Nevhungoni)

Acting allowance	20 492	-
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Mr. M. Nevhungoni has been the acting Executive Manager: Regional planning and Reindustrialisation from 1 July 2020 to 31 MArch 2021.

Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	1 065 192	1 065 192
Car Allowance	276 000	276 000
Other	10 836	10 829
	1 352 028	1 352 021

Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	656 362	1 125 192
Car Allowance	126 000	216 000
Other	7 576	9 923
	789 938	1 351 115

Ms MM Mazibuko contract ended on mid-January 2021 due to her demise.

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 to date. No acting allowance was paid due to the position not being vacant.

Acting Executive Manager: Regional planning and Reindustrialisation (Z. Mphaphuli)

Acting allowance	49 131	-
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Mr. Z. Mphaphuli has been the acting Executive Manager: Regional planning and Reindustrialisation from 1 April 2021 to 30 June 2021.

Acting Executive Manager: Health & Social Services (OTN Makhoba)

Acting allowance	96 322	-
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Mr. OTN. Makhoba has been the acting Executive Manager: Health and Social Services from 1 February 2021 to 30 June 2021.

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Figures in Rand	2021	2020
29. Remuneration of councillors		
Executive Mayor	909 779	898 442
Mayoral Committee Members	5 166 492	4 792 848
Speaker	823 915	823 915
Councillors	5 672 194	6 728 316
	12 572 380	13 243 521

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	4 488 619	4 454 176
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31. Impairment of assets

Impairments

Property, plant and equipment	-	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.

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.

32. Interest costs and penalties

Breach of contract	-	172 399
Finance leases	-	377 055
Interest charged by creditors	1 063 029	141 178
Interest cost - actuarial valuations	7 164 051	7 032 592
Late payments - SARS	-	449 591
Interest on inter-company loan	-	26 678
Department of Labour	214 976	188 758
Interest on late payments of pension funds	11 670	11 679
	8 453 726	8 399 930

33. Lease rentals on operating lease

Motor vehicles

Contractual amounts	7 456	4 065 466
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Equipment

Contractual amounts	200 693	1 283 706
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	208 149	5 349 172
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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
34. Contributions to/ (reversals) of debt impairment provision		
Contributions to debt impairment provision	(3 027 983)	8 239 732
The municipality reversed the debt impairment provision due to commitments honoured by consumer debtors and Merafong City Local Municipality.		
35. Contracted services		
Outsourced Services		
Qualification verification	-	1 113
Business and Advisory	24 744	6 485 949
Training services	328 750	-
Security Services	3 020 596	4 550 340
Consultants and Professional Services		
Business and Advisory	630 687	4 063 367
Infrastructure and Planning	651 980	-
Legal Cost	759 302	2 566 445
Contractors		
Maintenance of vehicles	115 489	278 673
	5 531 548	17 945 887
36. Transfers and subsidies		
Other subsidies		
Subsidy: Post retirement benefits	(1 726 622)	(414 331)
Local Municipalities HIV/ Aids Subsidy	11 223 000	7 835 600
Bereavement subsidy	65 500	22 800
	9 561 878	7 444 069

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Operating costs		
Advertising	225 142	147 530
Auditors remuneration	2 676 645	3 656 651
Bank charges	57 414	36 110
Insurance	2 095 815	4 769 591
Branding	1 208	-
Municipal Levies	3 803 516	3 934 416
Membership fees	2 929 294	2 086 460
Fuel and oil	777 521	1 729 420
License fees	112 799	107 502
Software expenses	3 380 667	2 729 307
Subscriptions and membership fees	4 280	-
Telephone and fax	1 189 329	887 522
Training (1)	3 564 112	2 527 454
Travel - local	-	4 347
COVID-19 PPE (2)	74 625	192 937
Arbitration awards (3)	-	1 857 186
Stock and material	183 717	129 043
Traffic Fines	3 000	-
	21 079 084	24 795 476

(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. Loss on foreign exchange transactions

Microsoft licenses	319 098	-
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The loss on foreign exchange transaction was incurred during the level 5 lockdown period when the municipality settled outstanding microsoft license to Microsoft Ireland and the rand dollar exchange was unfavourable at the time

39. Fair value adjustments

Investment property (Fair value model)	(600 000)	1 300 000
Biological assets - (Fair value model)	(173 466)	(66 771)
	(773 466)	1 233 229

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Figures in Rand 2021 2020

40. Loss on transfer of functions

Transfer of assets and liabilities occurring during the current reporting period

The municipal entity involved in the transfer is West Rand Development Agency

The transfer was due to the Council decision to disestablish the municipal entity through the unwinding process because of financial challenges.

The transfer of assets and liabilities took place during the 2021 financial year.

The transfer was finalised on Wednesday, 31 March 2021.

Value of the assets transferred and liabilities assumed

Assets transferred

Property, plant and equipment	12 015 766	-
Cash and cash equivalents	1 107 527	-
	13 123 293	-

Liabilities assumed

VAT payable	1 582 236	-
Transfers payable	2 000 000	-
Leave payable	199 753	-
Trade creditors	3 822 053	-
	7 604 042	-

Adjustments to the basis of accounting

Derecognition of the investment in controlled entities to profit or loss	3 540 026	-
Loss on transfer of municipal entity	5 519 251	-
	9 059 277	-

Cost of investment in controlled entities **14 578 528** -

Derecognition of investment in controlled entities **14 578 528** -

Contingent liabilities and contingent assets attributable to a transfer of municipal entity functions

Vodacom service provider where services are 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.

Aurecon service provider where services are 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.

Revenue and expenditure attributable to a transfer of municipal entity functions

Donaldson dam revenue collected on gate takings and contract with AfriGold for fishing catch and release.

Transfer of functions of the municipal entity occurring after the end of the reporting period but before the financial statements are authorised for issue

All transactions which occurred after the finalisation of the unwinding process were accounted for the Parent municipality's records.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Cash generated from operations		
(Deficit) surplus	(15 771 287)	23 750 306
Adjustments for:		
Depreciation and amortisation	4 488 619	4 454 176
Loss/ (Gain) on sale of assets and liabilities	-	3
Movement on WCA	1 236 904	1 149 450
Fair value adjustments	773 466	(1 233 229)
Impairment deficit	-	1 964 371
Debt impairment	(3 027 983)	3 615 641
Movements in retirement benefit assets and liabilities	2 945 477	(5 125 421)
Movements in provisions	2 165 305	4 766 155
Other non-cash item	191 142	-
Changes in working capital:		
Inventories	3 955	8 985
Receivables from exchange transactions	4 647 783	20 826 981
Consumer debtors	3 027 983	(8 239 732)
Other receivables from non-exchange transactions	174 949	(3 854 652)
Payables from exchange transactions	(5 353 223)	15 638 321
VAT	6 384 655	554 922
Unspent conditional grants and receipts	1 321 913	(46 496 809)
	3 209 658	11 779 468

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Figures in Rand 2021 2020

42. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At cost	Total
Long term receivables	-	254 916	254 916
Receivables from exchange transactions	3 819 510	-	3 819 510
Receivables from non-exchange transactions	2 640 032	-	2 640 032
Cash and cash equivalents	1 323 024	-	1 323 024
	7 782 566	254 916	8 037 482

Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	(73 127 818)	-	(73 127 818)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(2 640 032)	(2 640 032)
	(73 127 818)	(33 084 376)	(106 212 194)

2020

Financial assets

	At fair value	At cost	Total
Long-term receivables	-	254 916	254 916
Receivables from exchange transactions	8 467 293	-	8 467 293
Receivables from non-exchange transactions	2 814 981	-	2 814 981
Cash and cash equivalents	1 045 473	-	1 045 473
	12 327 747	254 916	12 582 663

Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	(78 481 041)	-	(78 481 041)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(1 318 119)	(1 318 119)
	(78 481 041)	(31 762 463)	(110 243 504)

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for 1 year		
• Property, plant and equipment	600 000	4 089 130
Not yet contracted for and authorised by the accounting officer		
• Property, plant and equipment	7 000 000	-
Total capital commitments		
Already contracted for but not provided for	600 000	4 089 130
Not yet contracted for and authorised by director	7 000 000	-
	7 600 000	4 089 130

The municipality committed a capital amount of R7.6 million which relates to outright purchase of fire engine with medium pumper and ICT equipment through a competitive bidding process.

Authorised operational expenditure

Already contracted for but not provided for		
• Security services	5 759 034	7 876 730
• Insurance Services	1 998 794	4 312 957
• Operationalisation of RRAMS Programme	2 452 287	2 961 480
• Cellphone Services	1 535 328	1 419 528
• Supply and Delivering of Photocopy Machines and Digital Office Automation Equipments	-	1 325 888
• mSCOA Financial System	3 520 672	6 959 434
• Vehicle tracking system	109 004	163 506
• Advertising agencies	300 000	225 142
• VAT review services	322 541	427 443
• Maintenance of municipal assets	1 175 204	-
	17 172 864	25 672 108
Not yet contracted for and authorised by the accounting officer		
• Supply and Delivering of Photocopy Machines and Digital Office Automation Equipments	1 119 795	-
• Provision of uniform and PPE	600 000	-
• Pauper burials	211 202	-
• Conditional assessment on fixed assets and investment property valuation	869 565	-
• Actuarial valuations	21 304	18 000
	2 821 866	18 000
Total operational commitments		
Already contracted for but not provided for	17 172 864	25 672 108
Not yet contracted for and authorised by director	2 821 866	18 000
	19 994 730	25 690 108

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

Total commitments

Total commitments		
Authorised capital expenditure	7 600 000	4 089 130
Authorised operational expenditure	19 994 730	25 690 108

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Figures in Rand	2021	2020
43. Commitments (continued)	27 594 730	29 779 238
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	220 980
The operating lease commitment related to the lease of municipal vehicles and printing equipment.		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	1 851 745	1 961 090
- in second to fifth year inclusive	2 094 398	2 446 747
	3 946 143	4 407 837

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44. Contingencies		
Trifecta Trading 22 (Pty) Ltd t/a Shell Westonaria Alleged non-payment of goods purchased by West Rand District Municipality from plaintiff	-	32 095
Mafoko Security Patrols (Pty) Ltd Alleged non-payment of services rendered to West Rand District Municipality by the plaintiff.	-	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
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
Matshido Catharine Lieta Delictual claim. Plaintiff claiming for damages after falling into an open access hole on the pavement in Westonaria	-	2 500 000
Mzayiya Nwabisa Delictual. Plaintiff fell in an open manhole in Westonaria, intersection of Pakeman and Allen Streets	-	850 000
Imatu on behalf of employees vs WRDM Plaintiff claiming the reimbursement of locomotion allowance which was unfairly suspended for the period between November 2017 and July 2018.	3 057 211	-
Phungo Incorporated Outstanding legal fees- Defendant appointed the Plaintiff to handle legal matters which included litigations, legal opinions and chairing disciplinary hearings. The Defendant owes the Plaintiff and invoices of services rendered were not submitted to the Defendant.	1 097 125	-
	4 154 336	9 649 026

Contingent assets

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.

During February 2021 the municipality was notified that the liquidator instituted a case to claim against KPMG on their public liability insurance.

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2021

2020

45. Related parties

Relationships

Accounting Officer

Controlled entities

Members of key management

Refer to Accounting Officer's report note

Refer to note 12

M.E Koloji: Accounting Officer

L.S Ramaele: Chief Financial Officer

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

Z. Mphaphuli: Acting Executive Manager - Regional & Economic Development

R. Mokebe: Executive Manager - Corporate Services

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

O.T.N Makhoba: Acting Executive Manager - Health & Social Development

N. Kahts: Acting Executive Manager - Public Safety

Related party balances

Amounts included in receivables from non-exchange transactions

West Rand Development Agency

- 2 000 000

Related party transactions

Subsidy paid to related party

West Rand Development Agency

- 2 200 000

The WRDM has a relationship with the WRDA which has resulted in the transfers by the WRDM during the 2020/21 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. All assets contributed for the establishment of the WRDA were at fair value.

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45. Related parties (continued)

Remuneration of other members of management

Management class: Councillors

2021

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
D.S Thabe (Executive Mayor)	677 970	44 400	187 409	909 779
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)	544 503	44 400	186 314	775 217
S. Konopi (MMC: Transport and Human Settlements)	544 503	44 400	186 314	775 217
M.J Selibo (MMC: Infrastructure)	269 703	24 000	91 167	384 870
B. Xulu (MMC: Health and Social Services)	544 503	44 400	186 742	775 645
P. Chabane (MMC: Regional Industrialisation)	350 208	3 600	120 462	474 270
Ald. T.P Matuwane (MMC: Environmental Management)	544 503	44 400	187 619	776 522
H.O Butler (MMC: Public Safety)	544 503	44 400	186 314	775 217
S.P Monoane (Council Whip)	544 503	44 400	186 314	775 217
V.B Khumalo (MPAC Chairperson)	334 236	24 000	114 851	473 087
Ald. J Zwart	44 387	24 000	570	68 957
Ald. D.H Pretorius	227 586	44 400	78 634	350 620
G.S Isherwood	227 586	44 400	78 634	350 620
Ald. B.D Blake	227 586	44 400	78 634	350 620
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
B.A Mpeke	44 387	24 000	569	68 956
M Ndamase	-	24 000	17 683	41 683
A.J Van Tonder	44 387	24 000	570	68 957

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Figures in Rand

45. Related parties (continued)

P.C Orpen	-	24 000	8 431	32 431
M. Nkoe	44 387	24 000	570	68 957
B. Van Der Berg	44 387	24 000	570	68 957
K.E Lekagane	-	24 000	15 612	39 612
J.N Kotze	-	24 000	17 693	41 693
W. Segolodi	-	24 000	14 592	38 592
X.L Mkruquli	-	24 000	12 542	36 542
L Modise	-	24 000	24 925	48 925
M.M Sello	-	24 000	29 005	53 005
B.R Mafika	44 387	24 000	570	68 957
W.S Njani	44 387	24 000	570	68 957
M. Myeki	203 992	24 000	67 998	295 990
M.P Teleko	44 387	24 000	570	68 957
J.L Pannall	-	24 000	19 733	43 733
M. Naki	44 387	24 000	570	68 957
H.H Hild	44 387	24 000	570	68 957
I.M Merabe	44 387	24 000	570	68 957
H.B Munyai	44 387	24 000	570	68 957
M.L Agondo	-	20 000	24 925	44 925
I.M Rebelo	37 931	7 400	30 621	75 952
	8 392 111	1 321 000	2 859 267	12 572 378

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45. Related parties (continued)

2020

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
D.S Thabe (Executive Mayor)	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 & Shared Services)	552 845	44 400	189 176	786 421
H.O Butler (MMC: Public Safety)	544 503	44 400	187 619	776 522
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
P. Chabane (MMC: Regional Industrialisation)	350 208	3 600	120 462	474 270
B. Xulu (MMC: Health & Social Services)	544 503	44 400	186 763	775 666
Ald. T.P Matuwane (MMC: Environmental Management)	544 503	44 400	186 314	775 217
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. D.H Pretorius	227 586	44 400	78 498	350 484
G.S Isherwood	227 586	44 400	78 498	350 484
Ald. D.B 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
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
H.H Hild	33 290	18 000	356	51 646
S. Khenene	11 097	6 000	145	17 242
Ald. J Zwart	44 387	24 000	502	68 889

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45. Related parties (continued)

A.J Van Tonder	44 387	24 000	502	68 889
P.C Orpen-Reid	-	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
B.R Mafika	44 387	24 000	502	68 889
W. Njani	44 387	24 000	502	68 889
M. Sello	-	24 000	35 159	59 159
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
D. Cloete	11 097	6 000	145	17 242
H.B Munyai	25 892	22 500	20 406	68 798
I.M Merabe	33 290	18 000	356	51 646
L. Modise	-	24 000	33 098	57 098
M. Myeki	237 991	40 700	84 112	362 803
	8 817 700	1 389 900	3 035 921	13 243 521

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46. Prior period restatements

Receivables from non- exchange transactions

The HIV/ Aids subsidy was not accrued in the previous year as concomitant asset for unspent portion under current liabilities. The funds for the unspent are ring-fenced and are with local municipalities. The amount initially transferred to the Agency to operationalise the milling plant was not accrued by the District. The Agency has since disclosed the amount as Transfers payables from non-exchange transactions in their records.

Intangible asset

Intangible assets were erroneously not written off in prior year as per the fixed asset register.

Payables from exchange transactions

Credit notes were granted by the supplier in the current relating the interest which was accrued in the prior year.

Provisions

Correction of the amounts relating to provision for interest in pension fund and arbitration awards which were not accurately recorded in the prior year.

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

Statement of Financial Position	As previously reported	Restatement	Restated balance
Receivables from non-exchange transactions	-	2 814 983	2 814 983
Intangible assets	3	(3)	-
Payables from exchange transactions	(79 390 776)	909 744	(78 481 032)
Provisions (current liabilities)	(14 192 093)	146 548	(14 045 545)
Accumulated (surplus)/ deficit	94 457 101	(3 871 272)	90 585 829
	874 235	-	874 235

Statement of Financial Performance

Statement of Financial Performance	As previously reported	Restatement	Restated balance
Government grants & subsidies	270 663 414	814 983	271 478 397
Interest costs and penalties	(9 469 575)	1 069 654	(8 399 921)
Operating costs	(24 782 114)	(13 362)	(24 795 476)
	236 411 725	1 871 275	238 283 000

47. Events after the reporting date

Any events or transactions which occurred after 30 June 2021 and that require a disclosure or adjustment in the annual financial statements of West Rand District Municipality were duly accounted for. This relates to obligations which the municipality has in the 2021/2022 financial year disclosed under commitments note 43.

48. Discontinued operations

The municipality has decided to discontinue its operations in 2020/2021 financial period by the decision to disestablish its municipal entity. The assets and liabilities of the entity has an impact on the Parent municipality's balances in the current 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.

49. 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.

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49. Risk management (continued)

Liquidity risk

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

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.

The municipality cannot be granted overdraft or any credit facility by the financial institution due to its high credit risk. The primary bank conditionally allows the credit facility only when the Council approves the facility and Gauteng Provincial Treasury provides concurrence to the transaction.

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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50. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus/ (deficit) of R (106 384 562) and that the entity's total liabilities exceed its assets by R (106 384 562). The municipality had a surplus/ (deficit) for the year of R (15 771 282).

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. The municipality is presently finalising the appointment of companies on risk basis to assist the municipality with resource mobilization.
- 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.

51. Unauthorised expenditure

Opening balance as previously reported (1)	61 666 970	80 009 320
Opening balance as restated	61 666 970	80 009 320
Add: Unauthorised expenditure - current period (4)	14 985 588	28 176 572
Less: Authorised for write-off - Prior period (2)	-	(28 871 695)
Less: Authorised for write-off - Current period (3)	(10 529 345)	(17 647 227)
Closing balance	66 123 213	61 666 970

(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 losses incurred in derecognition of the investment in controlled entities and movement in actuarial valuation performed at year-end. This was identified during preparation of annual financial statements for 2020/2021 and will be submitted to Council.

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51. Unauthorised expenditure (continued)		
Analysed as follows: non-cash		
Over-spending of the budget (4)	14 985 588	-
Analysed as follows: cash		
Unspent conditional grants not cash backed (2)	-	28 871 695
Operating costs for Fire brigade services (3)	-	28 176 572
	-	57 048 267

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.

52. Irregular expenditure

Opening balance as previously reported	54 100 568	5 069 879
Less: Irregular Expenditure - prior year correction	-	6 104 759
Add: Irregular Expenditure - prior year	-	22 122 583
Opening balance as restated	54 100 568	33 297 221
Add: Irregular Expenditure - current	2 975 787	20 803 347
Closing balance	57 076 355	54 100 568

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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52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	Matter referred to Council. MPAC recommends that the expenditure be referred to Disciplinary board	-	2 392 000
No addendum Service level agreement for extended contracts	Matter referred to Council. MPAC recommends that the expenditure be referred to Disciplinary board	-	544 497
Procurement process in contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011	MPAC recommends that the expenditure be referred to Disciplinary board	-	17 866 849
		-	20 803 346

Cases under investigation

Competitive bidding not invited	-	2 392 000
No addendum Service level agreement for extended contracts	-	544 497
Procurement process in contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011	-	17 866 849
	-	20 803 346

53. Fruitless and wasteful expenditure

Opening balance as previously reported	4 068 400	1 857 981
Correction of prior period error	-	(146 548)
Opening balance as restated	4 068 400	1 711 433
Add: Expenditure identified - current (1) (2)	11 670	3 805 510
Add: Expenditure identified - prior period (1)	-	409 438
Less: Amount written off - prior period (1)	-	(1 857 981)
Closing balance	4 080 070	4 068 400

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53. Fruitless and wasteful expenditure (continued)

(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. MPAC referred the matter to the Disciplinary Board committee.

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53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest and penalties charged by MCPF	MPAC in the process of investigation	11 670	-
Interest and penalties charged by SARS	MPAC recommends expenditure to be written off	-	449 591
Interest charged by Benefit funds	MPAC recommends expenditure to be written off	-	217 308
Interest charged by Department of Labour	MPAC recommends expenditure to be written off	-	392 561
Arbitration awards	MPAC referred the matter to the Disciplinary Board committee	-	1 857 186
Recruitment process for CFO position disbanded	MPAC recommends expenditure to be written off	-	69 606
Legal dispute with service provider	MPAC recommends expenditure to be written off	-	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
		11 670	4 068 394

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53. 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	449 591	1 857 981
Interest charged by Benefit funds	Council	217 308	-
Interest charged by Department of Labour	Council	392 561	-
Recruitment process for CFO position disbanded	Council	69 605	-
Legal dispute with service provider	Council	172 399	-
		1 301 464	1 857 981

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 496 075	2 409 615
Current year subscription / fee	2 929 294	2 086 460
Amount paid - current year	(1 000 000)	-
	6 425 369	4 496 075

Material losses

Opening balance	2 219 775	2 219 775
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During 2011/12 financial year the accounting Officer opened a criminal case with the South African Police Services (SAPS) in terms of Section 52 of the MFMA. The alleged incumbent resigned and has pleaded guilty and the judgement will be passed by Court. Further civil matters has already been pursued to recover the municipality losses. The internal personnel have already underwent disciplinary procedures and the employee have been dismissed. The municipality recovered R1.7 million through the MGF Pension fund.

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	2 417 982	1 820 817
Current year subscription	2 676 645	3 729 421
Transfer from discontinued operations	113 816	-
Amount paid - current year	(2 478 336)	(3 132 256)
	2 730 107	2 417 982
PAYE and UIF		
Opening balance	4 805 769	-
Current year subscription / fee	33 478 745	29 369 046
Amount paid - current year	(34 886 473)	(24 563 277)
	3 398 041	4 805 769
Pension and Medical Aid Deductions		
Opening balance	2 789 389	-
Current year subscription / fee	34 780 639	33 426 824
Amount paid - current year	(32 251 186)	(30 637 435)
	5 318 842	2 789 389
VAT		
VAT receivable/ (payable)	(869 788)	5 514 867
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
Impractical to follow SCM procedures	500 620	174 164
	500 620	185 261

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55. 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.

56. 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.

57. Transfer of functions between entities not under common control

Aggregated transfer of functions occurring after the end of the reporting period

Transfer of function 1

On the entity acquired % of the voting rights acquired through a residual interest of Transfer of function 1 which resulted in the entity obtaining control over Transfer of function 1. This was in addition to an existing interest of % which was obtained on . Transfer of function 1 is principally involved in the XXX industry. As a result of the acquisition, the entity is expecting to be the leading provider of XXX products and services in those markets. It is also expecting to reduce costs through economies of scale.

The acquisition-date fair value of the total consideration transferred is R -.

58. Segment information

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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community Service (Public safety & Health)	Economic Development and Planning	Infrastructure development	Other	Total
Revenue					
Revenue from non-exchange transactions	149 945 520	21 157 140	3 118 136	70 718 033	244 938 829
Revenue from exchange transactions	1 069 437	5 183	-	2 051 617	3 126 237
Interest revenue	-	-	-	1 325 617	1 325 617
Total segment revenue	151 014 957	21 162 323	3 118 136	74 095 267	249 390 683
Entity's revenue					249 390 683
Expenditure					
Total segment expenses	134 477 072	1 025 588	17 458 883	88 801 347	241 762 890
Depreciation and amortisation	-	-	337 526	4 151 093	4 488 619
Interest expense	-	-	-	8 453 727	8 453 727
Other	-	-	-	10 456 734	10 456 734
Total segment expenditure	134 477 072	1 025 588	17 796 409	111 862 901	265 161 970
Total segmental surplus/(deficit)					(15 771 287)

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