

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Planning by	Reviewed	Performed by	Final review

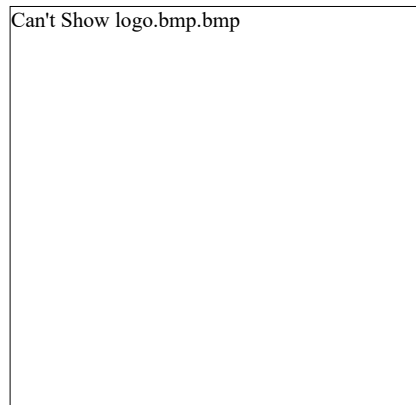
Client details

Client name: West Rand District Municipality
Year end: June 30, 2023

Print details

Printed by
Date printed

* See Note
The supplementary information presented does not form part of the annual financial statements and is unaudited



West Rand District Municipality
Annual Financial Statements
for the year ended June 30, 2023

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

General Information

Legal form of entity

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

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

Cllr H.B Munyai

Executive Mayor

Cllr T.M Bovhungana

Council Whip

Cllr B Mahuma

MPAC Chairperson (Section 79 committee)

Cllr H.O Butler

Mayoral Committee

MMC Financial Services: Ald N Tundzi-Hawu
MMC Corporate and Shared Services: Cllr M.N Ndzilane
MMC Infrastructure: Ald D.S Thabe
MMC Roads and Transport: Cllr S.R Dikana
MMC Re-industrialisation: Cllr S Boyce
MMC Health and Social Development: Cllr A Shikoane
MMC Environmental Management: Cllr L Legabe
MMC Public Safety: Cllr T Molusi

Councillors

Cllr H.H Hild
Cllr G Kruger
Ald B.D Blake
Ald J.D.W Zwart
Cllr ALME Rowles-Zwart
Cllr N.G Mphafudi
Cllr O.S.S Moralo
Cllr A.A Moleko
Cllr B.A Kubayi
Cllr D.C Pannall
Cllr R.J Mokoto
Cllr M Myeki
Cllr M.F Chohledi
Cllr L.P Pil
Cllr B Molefe
Cllr M.B Nkabinde
Cllr M Naki
Cllr L.M Mpupu
Cllr A Saba
Cllr T.M Tlholoe
Cllr N.T Xhale
Cllr B Van Der Berg
Cllr J Kotze
Cllr A Steyn
Cllr F.J.C Steffers

West Rand District Municipality

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General Information

	Cllr T.L.J. Schoeman Cllr B Makhene Cllr M.P. Teleko Cllr S.A. Dabhelia Cllr T.G. Koto Cllr F Ngobeni Cllr K.C. Ntshangase
Regional audit committee	Dr L Konar CA(SA) (Chairperson) Mr B Ahmed CA(SA) (Member) Mr L Mangquku CA(SA) (Member) Mr M Maseko (Member) Mr L Ravhuhali CA(SA) (Member)
Regional performance audit committee	Mr P Mongalo (Chairperson) Mr P Fourie CA(SA) (Member) Mr A Mangokwana (Member) Ms O Senokoane (Member) Mr S.P. Khoza (Member)
Risk management committee Chairperson	Mr J Mohlakoana
Disciplinary board committee Chairperson	Mr K Moahloli
Accounting Officer	Mr EM Koloi
Chief Finance Officer (CFO)	Mr LS Ramaele
Registered office	Corner Sixth and Park Street Randfontein 1760
Business address	Corner Sixth and Park Street Randfontein 1760
Postal address	Private Bag X033 Randfontein 1760
Bankers	Standard Bank of South Africa First National Bank
Auditors	Auditor-General South Africa Chartered Accountants (S.A.) Registered Auditors Independant regulatory board of auditors
Attorneys	Thejane Attorneys MT Matsau Incorporated Lizel Venter Attorneys Madlhopa & Thenga Incorporated Phambane Mokone Incorporated Attorneys Phungo Incorporated

West Rand District Municipality

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Index

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

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Abbreviations used:

RMC	Risk Management Committee
DC Board	Disciplinary Committee Board
MPAC	Municipal Public Accounts Committee
AC	Audit Committee
PAC	Performance Audit Committee
GRAP	Generally Recognised Accounting Practice
RSC	Regional Service Council Levy
FMG	Finance Management Grant
MMC	Member of Mayoral Committee
NDPG	Neighbourhood Development Partnership Grant
WCA	Workmen's Compensation Assistance

West Rand District Municipality

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Accounting officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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 June 30, 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality 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 set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:

Mr EM Koloi
Municipal Manager

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting officer's Report

The accounting officer submits his report for the year ended June 30, 2023.

1. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus (deficit) of R (113,891,233) and that the municipality's total liabilities exceed its assets by R (113,891,233).

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.

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

3. Accounting officers' interest in contracts

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5.

The municipal manager of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr EM Koloi	South Africa

6. Bankers

The Municipality currently primarily banks with Standard Bank of Southern Africa.

The Municipality also banks with First National Bank who were previously the primary bankers up until 30 June 2023.

7. Auditors

Auditor-General South Africa A Supreme Audit Institution (SAI) of South Africa (Chapter nine Institution).

8. Non-compliance with applicable legislation

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

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 August 31, 2023 and were signed by:

Mr EM Koloi
Municipal Manager

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*	
Assets				
Current Assets				
Inventories	3	237,749	401,557	GRAP1.6.2
Receivables from exchange transactions	4	3,696,839	2,109,945	GRAP1.7.9
Receivables from non-exchange transactions	5	733,642	1,260,078	GRAP1.7.9
Cash and cash equivalents	6	18,525,524	2,642,064	GRAP1.7.9
		23,193,754	6,413,644	
Non-Current Assets				
Biological assets that form part of an agricultural activity	7	161,644	227,945	GRAP1.6.2
Investment property	8	9,200,000	8,400,000	GRAP1.7.9
Property, plant and equipment	9	59,630,698	63,365,971	GRAP1.7.9
		68,992,342	71,993,916	
Total Assets		92,186,096	78,407,560	
Liabilities				
Current Liabilities				
Payables from exchange transactions	10	69,614,089	68,915,213	GRAP1.6.2
Transfers payable (non-exchange)	11	30,444,344	30,444,344	GRAP1.7.9
VAT payable	12	1,977,033	544,811	mSCOA
Employee benefit obligation	13	2,335,000	1,848,753	GRAP25.6
Unspent conditional grants and receipts	14	15,408,260	1,684,923	GRAP1.8.0
Provisions	15	12,408,603	12,396,954	GRAP1.7.9
		132,187,329	115,834,998	
Non-Current Liabilities				
Employee benefit obligation	13	47,534,000	49,729,942	GRAP1.6.2
Provisions	15	26,356,000	18,826,812	GRAP25.6
		73,890,000	68,556,754	GRAP1.7.9
Total Liabilities		206,077,329	184,391,752	
Net Assets		(113,891,233)	(105,984,192)	
Accumulated deficit		(113,891,233)	(105,984,192)	GRAP1.7.9
Total Net Assets		(113,891,233)	(105,984,192)	

* See Note 47

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	1,850,243	1,443,730
Rental of facilities and equipment	18	2,027,491	1,988,413
Interest received (trading)		258,147	187,857
Licences and permits	19	514,657	121,698
Recoveries		7,928	4,250
Other income	21	451,779	506,953
Interest received - investment	22	3,075,792	1,490,414
Total revenue from exchange transactions		8,186,037	5,743,315
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	296,121,874	249,736,951
Public contributions and donations	24	-	9,000
Total revenue from non-exchange transactions		296,121,874	249,745,951
Total revenue	16	304,307,911	255,489,266
Expenditure			
Employee related costs	25	(209,337,716)	(196,011,607)
Remuneration of councillors	26	(11,977,519)	(11,117,560)
Depreciation and amortisation	27	(5,072,455)	(4,830,971)
Interest costs and penalties	28	(9,094,920)	(7,271,064)
Lease rentals on operating lease	29	(379,690)	(385,384)
Debt Impairment	30	859,325	4,062,818
Assets written off	31	(156,355)	(3,815,259)
Contracted services	32	(46,285,900)	(11,215,463)
Transfers and Subsidies	33	(11,932,000)	(11,363,169)
Operating costs	35	(21,902,181)	(21,430,657)
Total expenditure		(315,279,411)	(263,378,316)
Operating deficit	37	(10,971,500)	(7,889,050)
Gain on disposal of assets and liabilities	38	6,433	-
Fair value adjustments	39	733,699	2,237,124
Actuarial gains/losses	40	3,910,593	3,674,999
Impairment loss	41	(50,361)	(1,199,221)
Reversal of impairment on investments		-	5,328,026
Workmen's compensation movement	15	(1,536,288)	(1,240,111)
		3,064,076	8,800,817
(Deficit) surplus for the year		(7,907,424)	911,767

* See Note 47

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

	Accumulated surplus / (deficit)	Total net assets
Figures in Rand		
Balance at July 1, 2021	(106,895,959)	(106,895,959)
Changes in net assets		
Surplus for the year	911,767	911,767
Total changes	911,767	911,767
Opening balance as previously reported	(105,986,915)	(105,986,915)
Adjustments		
Prior year adjustments 47	3,106	3,106
Restated* Balance at July 1, 2022 as restated*	(105,983,809)	(105,983,809)
Changes in net assets		
Deficit for the year	(7,907,424)	(7,907,424)
Total changes	(7,907,424)	(7,907,424)
Balance at June 30, 2023	(113,891,233)	(113,891,233)

Note(s)

* See Note 47

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Grants		310,909,241	250,294,346
Interest income		3,075,792	1,490,414
Other receipts		4,852,098	7,877,350
		318,837,131	259,662,110
Payments			
Employee costs		(218,097,552)	(207,129,167)
Suppliers		(83,600,809)	(51,278,980)
		(301,698,361)	(258,408,147)
Net cash flows from operating activities	36	17,138,770	1,253,963
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1,560,853)	(5,262,949)
Proceeds from sale of property, plant and equipment	9&38	305,543	-
Investments recovered		-	5,328,026
Net cash flows from investing activities		(1,255,310)	65,077
Net increase/(decrease) in cash and cash equivalents		15,883,460	1,319,040
Cash and cash equivalents at the beginning of the year		2,642,064	1,323,024
Cash and cash equivalents at the end of the year	6	18,525,524	2,642,064

The accounting policies on pages 15 to 37 and the notes on pages 37 to 82 form an integral part of the annual financial statements.

* See Note 47

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,000,000	-	2,000,000	1,850,243	(149,757)	A
Rental of facilities and equipment	2,365,000	-	2,365,000	2,027,491	(337,509)	B
Interest received (trading)	211,000	157,000	368,000	258,147	(109,853)	
Licences and permits	250,000	524,000	774,000	514,657	(259,343)	C
Recoveries	10,000	(10,000)	-	7,928	7,928	
Reversal of impairment on investments	3,600,000	-	3,600,000	-	(3,600,000)	
Other income	13,504,000	11,055,000	24,559,000	451,779	(24,107,221)	D
Interest received - investment	2,244,000	1,780,000	4,024,000	3,075,792	(948,208)	E
Total revenue from exchange transactions	24,184,000	13,506,000	37,690,000	8,186,037	(29,503,963)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	294,380,000	25,533,000	319,913,000	296,121,874	(23,791,126)	
Total revenue	318,564,000	39,039,000	357,603,000	304,307,911	(53,295,089)	
Expenditure						
Employee related cost	(211,367,000)	(3,707,000)	(215,074,000)	(209,337,716)	5,736,284	F
Remuneration of councillors	(13,132,000)	746,000	(12,386,000)	(11,977,519)	408,481	G
Depreciation and amortisation	(3,800,000)	(2,000,000)	(5,800,000)	(5,072,455)	727,545	H
Impairment loss/ Reversal of impairments	-	-	-	(50,361)	(50,361)	
Interest costs and penalties	(530,000)	(5,573,000)	(6,103,000)	(9,094,920)	(2,991,920)	I
Lease rentals on operating lease	-	-	-	(379,690)	(379,690)	
Debt Impairment	(650,000)	-	(650,000)	859,325	1,509,325	J
Assets written off	-	-	-	(156,355)	(156,355)	
Other materials	(250,000)	(180,000)	(430,000)	-	430,000	
Contracted Services	(11,358,000)	(5,746,000)	(17,104,000)	(7,912,165)	9,191,835	K
Transfers and Subsidies	(11,932,000)	(1,259,000)	(13,191,000)	(11,932,000)	1,259,000	L
Operating costs	(20,439,000)	(14,815,000)	(35,254,000)	(21,902,181)	13,351,819	M
Total expenditure	(273,458,000)	(32,534,000)	(305,992,000)	(276,956,037)	29,035,963	
Operating surplus/ (deficit)	45,106,000	6,505,000	51,611,000	27,351,874	(24,259,126)	
Gain on disposal of assets and liabilities	560,000	(254,000)	306,000	6,433	(299,567)	
Fair value adjustments	-	-	-	733,699	733,699	
Actuarial gains/losses	-	-	-	3,910,593	3,910,593	
Workmen's compensation movement	-	-	-	(1,536,288)	(1,536,288)	
	560,000	(254,000)	306,000	3,114,437	2,808,437	
Surplus/ (Deficit) before capital expenditure	45,666,000	6,251,000	51,917,000	30,466,311	(21,450,689)	
Capital expenditure	45,650,000	6,250,000	51,900,000	38,373,735	(13,526,265)	N

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus/ (Deficit) for the year	16,000	1,000	17,000	(7,907,424)	(7,924,424)	
Reconciliation						

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	122,000	(20,000)	102,000	237,749	135,749	
Receivables from exchange transactions	2,995,000	660,000	3,655,000	3,696,839	41,839	
Receivables from non-exchange transactions	-	-	-	733,642	733,642	
Cash and cash equivalents	7,714,000	(5,072,000)	2,642,000	18,525,524	15,883,524	
	10,831,000	(4,432,000)	6,399,000	23,193,754	16,794,754	
Non-Current Assets						
Biological assets that form part of an agricultural activity	136,000	92,000	228,000	161,644	(66,356)	
Investment property	6,700,000	1,700,000	8,400,000	9,200,000	800,000	
Property, plant and equipment	56,206,000	7,139,000	63,345,000	59,630,698	(3,714,302)	H
Long-term receivables	255,000	(255,000)	-	-	-	
	63,297,000	8,676,000	71,973,000	68,992,342	(2,980,658)	
Total Assets	74,128,000	4,244,000	78,372,000	92,186,096	13,814,096	
Liabilities						
Current Liabilities						
Payables from exchange transactions	65,825,000	4,763,000	70,588,000	69,614,089	(973,911)	M
Taxes and transfers payable (non-exchange)	-	30,444,000	30,444,000	30,444,344	344	
VAT payable	15,754,000	870,000	16,624,000	1,977,033	(14,646,967)	
Employee benefit obligation	-	-	-	2,335,000	2,335,000	I
Unspent conditional grants and receipts	-	15,442,000	15,442,000	15,408,260	(33,740)	
Provisions	15,400,000	(252,000)	15,148,000	12,408,603	(2,739,397)	
	96,979,000	51,267,000	148,246,000	132,187,329	(16,058,671)	
Non-Current Liabilities						
Employee benefit obligation	49,730,000	-	49,730,000	47,534,000	(2,196,000)	I
Provisions	17,080,000	6,148,000	23,228,000	26,356,000	3,128,000	
	66,810,000	6,148,000	72,958,000	73,890,000	932,000	
Total Liabilities	163,789,000	57,415,000	221,204,000	206,077,329	(15,126,671)	
Net Assets	(89,661,000)	(53,171,000)	(142,832,000)	(113,891,233)	28,940,767	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	(89,661,000)	(53,171,000)	(142,832,000)	(113,891,233)	28,940,767	

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	294,380,000	3,435,000	297,815,000	310,909,241	13,094,241	
Interest income	2,244,000	-	2,244,000	3,075,792	831,792	E
Other receipts	22,130,000	1,026,000	23,156,000	4,852,098	(18,303,902)	D
	318,754,000	4,461,000	323,215,000	318,837,131	(4,377,869)	
Payments						
Employee costs and suppliers	(256,546,000)	(3,523,000)	(260,069,000)	(289,766,361)	(29,697,361)	F
Interest costs and penalties	(530,000)	(5,573,000)	(6,103,000)	-	6,103,000	
Transfers and Grants	(11,932,000)	(1,260,000)	(13,192,000)	(11,932,000)	1,260,000	L
	(269,008,000)	(10,356,000)	(279,364,000)	(301,698,361)	(22,334,361)	
Net cash flows from operating activities	49,746,000	(5,895,000)	43,851,000	17,138,770	(26,712,230)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(45,650,000)	(1,450,000)	(47,100,000)	(1,560,852)	45,539,148	N
Proceeds from sale of property, plant and equipment	880,000	(880,000)	-	305,543	305,543	
Net cash flows from investing activities	(44,770,000)	(2,330,000)	(47,100,000)	(1,255,309)	45,844,691	
Net increase/(decrease) in cash and cash equivalents	4,976,000	(8,225,000)	(3,249,000)	15,883,461	19,132,461	
Cash and cash equivalents at the beginning of the year	2,642,000	-	2,642,000	2,642,064	64	
Cash and cash equivalents at the end of the year	7,618,000	(8,225,000)	(607,000)	18,525,525	19,132,525	
Reconciliation						

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

A - Under performance in service charges is as a result of the performance in development of building plan fees for fire services.

B - The decrease in rental is due to the service level agreements of some consumer and rental customers reaching the expiry dates and being in the reviewal process for possible extension.

C - Under collection in licenses and permits was mainly driven by the negative economic effects previously experienced which caused majority of businesses to close down.

D - Under collection in other income is due to under collection of Donaldson Dam revenue and SARS receipts being reallocated to VAT control account but budgeted for under other income.

E - Over-collection in interest earned was a result of the interest earned under the FNB call account used for the ringfencing of grants and statutory obligations. There was also fixed deposits investment made with Standard bank to generate investment revenue.

F - Under 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 had a 3% increment payment plan which has been settled during the year.

G - Under-expenditure in council remuneration is due to the budgeting principle of using inflationary CPIX increment but the increase in terms of the concurrence approved by the MEC is less than the budgeted increment.

H - This is due to depreciation for the year based on the remaining useful life. Management tested the indicators of impairment and assessment was made on the categories of fixed assets.

I - 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.

J - Decrease in impairment is due to the reversal of impairment for Rand West City Local Municipality due to offset agreement and derecognition of long outstanding debt owed by BP Southern Africa.

K - Under expenditure in contracted services relates to savings in expenses for legal fees and maintenance on assets.

L - Variance in transfers and subsidies relates to the HIV/Aids subsidy that was surrendered back to Gauteng revenue fund and offset against the current tranche.

M - Under expenditure in operating costs is due to implementation of cost containment measures as per the requirements of circular 82 and cost containment regulations.

N - The municipality budgeted for capital expenditure in terms of the grant received and in terms of the implementation protocol agreement the project is implemented on behalf of Rand West City Local municipality.

The accounting policies on pages 15 to 37 and the notes on pages 37 to 82 form an integral part of the annual financial statements.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Significant accounting policies

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

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

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 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.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

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

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

1.5 Investment property

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

- use in the production or supply of goods or services or for
- 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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.5 Investment property (continued)

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

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

Fair value

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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	3 - 20 years
Office equipment	Straight-line	3 - 17 years
Specialised vehicles	Straight-line	5 - 20 years
Security measures	Straight-line	5 - 15 years
Roads and stormwater	Straight-line	20 - 30 years
Water	Straight-line	20 - 30 years

West Rand District Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

Community facilities	Straight-line	20 - 30 years
Emergency equipment	Straight-line	5 - 15 years
Watercraft	Straight-line	20 - 30 years
Electrical	Straight-line	20 - 30 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 32).

1.7 Financial instruments

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

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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Financial instruments (continued)

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Classification

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

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents

Category

Financial asset measured at fair value
Financial asset measured at fair value
Financial asset measured at fair value

The entity 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

Trade and other payables from exchange transactions
Transfers payable (non-exchange)
Unspent conditional grants and receipts

Category

Financial asset measured at fair value
Financial liability measured at cost
Financial liability measured at cost

1.8 Statutory receivables

Identification

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

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

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.8 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.8 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.9 Leases (continued)

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.

1.10 Inventories

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

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

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

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

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

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

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

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

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.

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

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

1.12 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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

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

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

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

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

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

Identification

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

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

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

West Rand District Municipality

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 Employee benefits

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

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

Post-employment benefits

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

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

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

West Rand District Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

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

The entity 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 entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.14 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.

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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 entity 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 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

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, an 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.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

West Rand District Municipality

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Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

West Rand District Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.17 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 arises 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.

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 disposed 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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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.

West Rand District Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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

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

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

West Rand District Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.19 Investment income

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

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

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

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

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

West Rand District Municipality

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Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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.

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

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. All expenditure previously incurred is not classified as fruitless and wasteful expenditure until such expenditure is paid. 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 is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

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.

1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.25 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2022 to 6/30/2023.

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.

1.27 Related parties

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

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

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

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

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

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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.27 Related parties (continued)

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.

1.28 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	April 1, 2024	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
3. Inventories		
Consumable stores	220,797	102,447
Fixed assets auctioned (1)	299,110	299,110
Fixed assets to be auctioned (2)	16,952	-
	536,859	401,557
Fixed Assets auctioned (Carrying value)	(299,110)	-
	237,749	401,557

(1) The municipality opted to perform the public auction on redundant assets internally and the implementation plan for the public auction has been approved by the senior management team. The municipality had a successful auction which took place during October 2022.

(2) Council approved the disposal of redundant and irreparable assets. These assets will be scheduled for public auction. Refer to note 9 for reconciliation of property, plant and equipment.

4. Receivables from exchange transactions

Contributions from local municipalities	7,225,800	7,225,800
Other consumer debtors	4,375,087	3,749,575
Prepaid expenses	333,166	231,111
Impairment of receivables	(8,237,214)	(9,096,541)
	3,696,839	2,109,945

Gross receivables are as follows:

Contributions from local municipalities	7,225,800	7,225,800
Other consumer debtors	4,375,088	3,749,575
Prepaid expenses	333,166	231,111
	11,934,054	11,206,486

Impairment on receivables above are as follows:

Contributions from local municipalities	(5,400,000)	(7,225,800)
Other consumer debtors	(2,837,215)	(1,870,741)
	(8,237,215)	(9,096,541)

Financial asset receivables included in receivables from exchange transactions above - -

Total receivables from exchange transactions 3,696,839 2,109,945

Receivables past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2023, R 1,825,800 (2022: R -) were past due but not impaired.

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

3 months past due	1,825,800	-
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West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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4. Receivables from exchange transactions (continued)

Receivables impaired

As of June 30, 2023, receivables of R 9,775,088 (2022: R 10,975,375) were impaired and provided for.

The amount of the provision was R (8,237,214) as of June 30, 2023 (2022: R 9,096,541).

The ageing of these receivables is as follows:

3 to 6 months	400,608	400,149
Over 6 months	7,836,607	8,696,391

Reconciliation of provision for impairment of trade and other receivables

Opening balance	9,096,540	13,159,359
Reversals of debt impairment provision	(859,326)	(4,062,819)
	8,237,214	9,096,540

5. Receivables from non-exchange transactions

Government grants and subsidies	733,642	1,260,078
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Concomitant assets included in receivables from non-exchange transactions above are as follows:

HIV/ Aids grant (Local municipalities)	733,642	1,260,078
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Total receivables from non-exchange transactions	733,642	1,260,078
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,714	4,119
Bank balances	12,606,130	2,268,451
Short-term deposits	5,900,680	369,494
	18,525,524	2,642,064

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
First National Bank - Corporate - 62777660872	11,218,490	2,263,987	51,535	11,217,045	2,264,818	9,967
Standard Bank - Corporate - 021307350	1,389,086	3,596	96,386	1,389,086	3,635	118,405
First National Bank - Call Account- 62835844334	5,897,712	366,526	1,175,096	5,897,712	366,526	1,175,096
Standard Bank - Call account - 658833952	2,967	2,967	2,967	2,967	2,967	2,967
First National Bank E-wallet cards	18,413	4,118	16,588	18,714	4,118	16,588
Total	18,526,668	2,641,194	1,342,572	18,525,524	2,642,064	1,323,023

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Cash and cash equivalents (continued)		
Concomitant assets for unspent conditional grants		
Cash and cash equivalents that are not available for use by the municipality other than conditions intended for. <i>The funds are ring-fenced for GRAP17 Asset management grant roll-over.</i>	-	424,845
Cash and cash equivalents that are not available for use by the municipality other than conditions intended for. <i>The funds are ring-fenced for Rural asset management grant roll-over.</i>	297,948	-
Cash and cash equivalents that are not available for use by the municipality other than conditions intended for. <i>The funds are ring-fenced for Fire services and Disaster management grant roll-over.</i>	14,376,669	-

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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7. Biological assets that form part of an agricultural activity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Flowers	161,644	-	161,644	227,945	-	227,945

Reconciliation of biological assets that form part of an agricultural activity - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	227,945	(66,301)	161,644

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	90,821	137,124	227,945

Non-financial information

Quantities of each biological asset

Biological assets - Flowers	174,600	358,440
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The municipality performed a physical verification of all biological assets at 30 June 2023.

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 Multiflora prices were utilised as a basis of the valuation.

The decrease in the value of biological assets is as result of the decrease in average unit price of flowers from R30.68 in the previous financial year to R13.41 in the current financial year as well as the decline in quantities produced at Merafong Flora. This is as a result of poor performance on the quality of fresh produce which was attributed to the municipality's financial constraints.

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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9,200,000	-	9,200,000	8,400,000	-	8,400,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	8,400,000	800,000	9,200,000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	6,300,000	2,100,000	8,400,000

Fair value of investment properties	9,200,000	8,400,000
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,028,100	964,072
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From Investment property that generated rental revenue

Direct operating expenses (excluding repairs and maintenance)	(155,298)	(166,612)
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The effective date of the valuation was 30 June 2023. Valuations were performed by an independent valuer, Hangwani Matidza (Professional Valuer-SACPVP Reg no: 4953/7). Hangwani Matidza 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

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12,118,881	-	12,118,881	12,118,881	-	12,118,881
Buildings	53,213,995	(39,841,719)	13,372,276	53,213,995	(38,812,621)	14,401,374
Plant and machinery	2,272,160	(1,838,822)	433,338	4,396,442	(4,285,455)	110,987
Furniture and fixtures	3,952,561	(3,832,456)	120,105	5,044,535	(4,816,205)	228,330
Motor vehicles	7,445,794	(5,740,070)	1,705,724	8,044,574	(5,478,061)	2,566,513
Infrastructure	10,456,141	(9,922,264)	533,877	10,456,141	(9,865,018)	591,123
Security measures	9,034,194	(8,683,998)	350,196	9,034,194	(8,657,750)	376,444
Emergency equipments	1,314,336	(1,098,019)	216,317	3,066,595	(2,903,745)	162,850
Electrical equipment	477,850	(446,244)	31,606	477,850	(444,153)	33,697
Office equipment	4,425,404	(3,006,921)	1,418,483	12,892,940	(11,997,214)	895,726
Specialised vehicles	54,008,348	(24,678,453)	29,329,895	54,008,346	(22,128,300)	31,880,046
Total	158,719,664	(99,088,966)	59,630,698	172,754,493	(109,388,522)	63,365,971

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Write offs	Depreciation	Impairment loss	Total
Land	12,118,881	-	-	-	-	-	12,118,881
Buildings	14,401,374	-	-	-	(978,735)	(50,363)	13,372,276
Plant and machinery	110,987	389,879	(366)	(15,446)	(51,716)	-	433,338
Furniture and fixtures	228,330	-	(696)	(29,801)	(77,728)	-	120,105
Motor vehicles	2,566,513	-	-	(8,710)	(852,079)	-	1,705,724
Infrastructure	591,123	-	-	-	(57,246)	-	533,877
Security measures	376,444	-	-	-	(26,248)	-	350,196
Emergency equipments	162,850	121,740	(4,067)	(37,826)	(26,380)	-	216,317
Electrical equipment	33,697	-	-	-	(2,091)	-	31,606
Office equipment	895,726	1,049,234	(11,823)	(64,573)	(450,081)	-	1,418,483
Specialised vehicles	31,880,046	-	-	-	(2,550,151)	-	29,329,895
	63,365,971	1,560,853	(16,952)	(156,356)	(5,072,455)	(50,363)	59,630,698

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Additions through donations	Write off	Depreciation	Impairment loss	Total
Land	12,118,881	-	-	-	-	-	-	-	12,118,881
Buildings	11,010,960	-	-	4,059,351	-	-	(655,437)	(13,500)	14,401,374
Plant and machinery	151,719	12,480	(275)	-	9,000	(2,853)	(59,084)	-	110,987
Furniture and fixtures	381,890	7,982	(2,999)	-	-	(40,510)	(118,033)	-	228,330
Motor vehicles	3,451,853	-	-	-	-	-	(885,340)	-	2,566,513
Infrastructure	1,886,006	-	-	-	-	-	(174,336)	(1,120,547)	591,123
Security measures	402,692	-	-	-	-	-	(26,248)	-	376,444
Emergency equipments	104,015	79,968	(131)	-	-	(1,523)	(19,479)	-	162,850
Electrical equipment	106,175	-	-	-	-	-	(7,304)	(65,174)	33,697
Office equipment	651,759	484,979	(5,584)	-	-	-	(235,428)	-	895,726
Specialised vehicles	29,528,057	4,677,540	-	-	-	-	(2,325,551)	-	31,880,046
Community Facilities	4,384,100	-	-	(4,059,351)	-	-	(324,749)	-	-
	64,178,107	5,262,949	(8,989)	-	9,000	(44,886)	(4,830,989)	(1,199,221)	63,365,971

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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Payables from exchange transactions		
Trade payables	35,133,261	36,970,257
Unallocated deposits	59,319	214,096
Debtors with credit balances	-	40,787
Bonus payable (1)	556,441	-
Third parties outstanding	8,695,513	6,106,300
Leave payable	25,157,030	25,571,248
Other payables	12,525	12,525
	69,614,089	68,915,213

(1) This relates to a portion of performance bonus payable following the conclusion of performance assessments for senior managers.

11. Transfers payable (non-exchange)

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

12. VAT payable

Tax refunds payables	1,977,033	544,811
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13. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(49,869,000)	(51,578,695)
Non-current liabilities	(47,534,000)	(49,729,942)
Current liabilities	(2,335,000)	(1,848,753)
	(49,869,000)	(51,578,695)

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 2023. An independent Actuarial Valuer, which is ARCH Actuarial Consulting 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. Chanan Weiss 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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	51,578,695	48,256,855
Benefits paid	(2,345,728)	(2,330,411)
Net expense recognised in the statement of financial performance	636,033	5,652,251
	49,869,000	51,578,695
Net expense recognised in the statement of financial performance		
Current service cost	2,393,704	2,229,081
Interest cost	6,549,604	5,467,374
Actuarial (gains) losses	(8,307,275)	(2,044,204)
	636,033	5,652,251
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(8,307,275)	2,044,204

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used (D)	12.47 %	12.93 %
Consumer price inflation (C)	6.42 %	7.95 %
Health care cost inflation (H)	8.08 %	9.45 %
Net discount rate $((1+D)/(1+H)-1)$	4.06 %	3.18 %

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 12.93% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were reduced from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2023.

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.

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	10,601,953	7,596,258
Effect on defined benefit obligation	52,684,000	46,124,000

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	49,869,000	51,578,695	48,256,855	45,311,378	56,281,496

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

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Figures in Rand	2023	2022
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Rural asset management systems grant (1)	297,948	-
GRAP 17 Asset management grant	-	424,845
HIV/AIDS grant (2)	733,642	1,260,078
Disaster management grant (3)	2,634,508	-
Fire brigade services grant- operational (4)	9,865,754	-
Fire brigade services grant- capital (5)	1,876,408	-
	15,408,260	1,684,923

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

(1) This grant was transferred to the municipality to assist with Rural asset management systems. The municipality applied for rollover to National Treasury and the funds are cash-backed.

(2) Mogale City Local Municipality has unspent funds during the current financial year on HIV/ Aids programmes. The funds are cash-backed by the local municipality.

(3) This grant was transferred to the municipality to assist with disaster management services. The municipality applied for rollover to Provincial Treasury and the funds are cash-backed.

(4) This grant was transferred to the municipality to assist with operations in fire fighting services. The municipality applied for rollover to Provincial Treasury and the funds are cash-backed.

(5) This grant was transferred to the municipality to assist with procurement of fire fighting equipment and vehicles. The municipality applied for rollover to Provincial Treasury and the funds are cash-backed.

See note 23 for reconciliation of grants from National/Provincial Government.

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

West Rand District Municipality

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15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Settled during the year	Transfers	Interest cost	Total
Arbitration awards	-	248,880	(248,880)	-	-	-
Long Service Award provision	18,826,812	7,529,188	-	-	-	26,356,000
Performance Bonus	1,083,176	472,584	-	(556,442)	-	999,318
Department of labour assessment provision	11,313,778	1,536,288	(2,023,800)	-	583,019	11,409,285
	31,223,766	9,786,940	(2,272,680)	(556,442)	583,019	38,764,603

Reconciliation of provisions - 2022

	Opening Balance	Additions	Settled during the year	Interest cost	Total
Arbitration awards	-	194,272	(194,272)	-	-
Long Service Award provision	17,872,477	954,335	-	-	18,826,812
Performance Bonus	1,058,143	25,033	-	-	1,083,176
Department of labour assessment provision	9,707,550	1,240,111	-	366,117	11,313,778
Interest on pension funds (5)	11,680	-	(11,680)	-	-
	28,649,850	2,413,751	(205,952)	366,117	31,223,766

Non-current liabilities	26,356,000	18,826,812
Current liabilities	12,408,603	12,396,954
	38,764,603	31,223,766

Arbitration awards

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

Long Service Award provision

Long service award provision relates to benefits granted to employees for working with the municipality for 10 years or more.

Reconciliation of long service awards provision

Opening accrued liability	18,826,812	17,872,477
Current service cost	1,170,209	1,147,557
Current interest cost	1,962,297	1,437,573
Actuarial (gain)/ loss during the year	4,396,682	(1,630,795)
	26,356,000	18,826,812

Performance Bonus

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

Department of labour assessment provision

The Department of Labour introduced a new system during the financial year, and correspondence on amounts outstanding are being sent to the municipality.

Interest on pension funds

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

West Rand District Municipality

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Figures in Rand	2023	2022
16. Revenue		
Service charges	1,850,243	1,443,730
Rental of facilities and equipment	2,027,491	1,988,413
Interest received (trading)	258,147	187,857
Licences and permits	514,657	121,698
Recoveries	7,928	4,250
Other income	451,779	506,953
Interest received - investment	3,075,792	1,490,414
Government grants & subsidies	296,121,874	249,736,951
Public contributions and donations	-	9,000
	304,307,911	255,489,266

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

Service charges	1,850,243	1,443,730
Rental of facilities and equipment	2,027,491	1,988,413
Interest received (trading)	258,147	187,857
Licences and permits	514,657	121,698
Recoveries	7,928	4,250
Other income	451,779	506,953
Interest received - investment	3,075,792	1,490,414
	8,186,037	5,743,315

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

Transfer revenue

Government grants & subsidies	296,121,874	249,736,951
Public contributions and donations	-	9,000
	296,121,874	249,745,951

17. Service charges

Service charges	568,302	519,000
Fire and rescue services	1,281,941	924,730
	1,850,243	1,443,730

18. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	2,007,241	1,966,338
Parking spaces	20,250	22,075
	2,027,491	1,988,413

19. Licences and permits

Atmospheric air quality licensing	421,122	30,435
Health certificates	93,535	91,263
	514,657	121,698

West Rand District Municipality

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Figures in Rand	2023	2022
20. Other revenue		
Recoveries	7,928	4,250
Other income	451,779	506,953
	459,707	511,203
21. Other income		
Donaldson dam revenue (1)	163,787	254,965
Sale of bid documents	61,174	15,218
Commission	84,985	78,353
Sale of plants (2)	3,083	25,867
Rural asset management implementation fee	138,750	132,550
	451,779	506,953
<p>(1) Donaldson dam revenue relates to the tickets issued for gate takings in accessing the facilities. A decline in revenue is due to safety challenges recently being experienced at the Dam which has a negative impact on fishing.</p> <p>(2) Low collection on sale of plants is as a result of poor performance on the quality of fresh produce which was attributed to the municipality's financial constraints</p>		
22. Investment revenue		
Interest revenue		
Favourable bank balance	123,962	10,099
Call account	2,632,256	1,297,171
Fixed deposit	319,574	183,144
	3,075,792	1,490,414

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

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Figures in Rand	2023	2022
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23. Government grants & subsidies

Operating grants

Equitable share	48,516,000	45,139,000
RSC Replacement grant	181,736,000	177,450,000
Expanded public works programme	1,221,000	1,090,000
Financial management grant	1,200,000	1,000,000
GRAP 17 Asset management grant	424,845	575,155
Disaster management grant	387,493	-
Fire brigade services grant- operational	1,484,246	-
HIV/AIDS grant	11,932,000	11,364,000
LG Seta grant	2,558,396	3,600,346
Rural asset management grant	2,338,302	2,518,450
	251,798,282	242,736,951

Capital grants

Neighbourhood development partnership grant	44,000,000	-
Fire brigade service grant- capital	323,592	7,000,000
	44,323,592	7,000,000
	296,121,874	249,736,951

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	65,869,874	27,147,951
Unconditional grants received	230,252,000	222,589,000
	296,121,874	249,736,951

Expanded public works programme

Current-year receipts	1,221,000	1,090,000
Conditions met - transferred to revenue	(1,221,000)	(1,090,000)
	-	-

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

Neighborhood development partnership grant

Current-year receipts	44,000,000	-
Conditions met - transferred to revenue	(44,000,000)	-
	-	-

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

Equitable share

Current-year receipts	48,352,920	45,139,000
Transferred to revenue	(48,352,920)	(45,139,000)
	-	-

The grant used for subsidization of administration and provision of basic services.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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23. Government grants & subsidies (continued)

RSC Replacement grant

Current-year receipts	181,899,080	177,450,000
Transferred to revenue	(181,899,080)	(177,450,000)
	-	-

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

Rural asset management grant

Current-year receipts	2,775,000	2,651,000
Conditions met - transferred to revenue	(2,338,302)	(2,518,450)
Management implementation fee	(138,750)	(132,550)
	297,948	-

Conditions still to be met - remain liabilities (see note 14).

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

GRAP17 Asset management grant

Balance unspent at beginning of year	424,845	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(424,845)	(575,155)
	-	424,845

The grant used for conditional assessment and asset verification on Property, plant and equipment in adherence to GRAP reporting framework.

Financial management grant

Current-year receipts	1,200,000	1,000,000
Conditions met - transferred to revenue	(1,200,000)	(1,000,000)
	-	-

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

HIV/AIDS grant

Balance unspent at beginning of year	1,260,078	-
Current-year receipts	11,932,000	11,364,000
Conditions met - transferred to revenue	(11,932,000)	(11,364,000)
Local municipalities rollover/(conditions met by local municipalities)	(526,436)	1,260,078
	733,642	1,260,078

Conditions still to be met - remain liabilities (see note 14).

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

LG Seta grant

Current-year receipts	2,558,396	3,600,346
Conditions met - transferred to revenue	(2,558,396)	(3,600,346)
	-	-

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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23. Government grants & subsidies (continued)

The grant relates to amounts claimed training of staff members and stipends paid to interns.

Disaster management grant

Current-year receipts	3,022,000	-
Conditions met - transferred to revenue	(387,492)	-
	2,634,508	-

Conditions still to be met - remain liabilities (see note 14).

The grant relates to the improvement of the state of readiness for disaster management services in line with Disaster Management Act, 57 of 2002 as amended.

Fire brigade service grant- operational

Current-year receipts	11,350,000	-
Conditions met - transferred to revenue	(1,484,246)	-
	9,865,754	-

Conditions still to be met - remain liabilities (see note 14).

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 purchasing a medium pumper fire engine, to repair existing emergency vehicles and buying uniform for fire service officials.

Fire brigade service grant- capital

Current-year receipts	2,200,000	-
Conditions met - transferred to revenue	(323,592)	-
	1,876,408	-

Conditions still to be met - remain liabilities (see note 14).

The grants relates to the improvement of fire and rescue services response capabilities in line with Fire Brigade Services Act 99 of 1987 and the South African National Standard on community protection against fire code SANS:10090.

24. Public contributions and donations

Bush cutters donated	-	9,000
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West Rand District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Employee related costs		
Basic	131,537,566	121,150,264
Bonus	9,809,368	8,997,814
Medical aid - company contributions	12,504,624	11,964,672
UIF	717,063	695,601
SDL	1,741,963	1,514,147
Leave pay provision charge	137,476	831,747
Pension fund contribution	24,403,820	22,657,013
Group Insurance	2,298,479	2,125,469
Travel, motor car, accommodation, subsistence and other allowances	10,682,440	11,437,740
Overtime payments	66,894	127,964
Acting allowances	915,057	1,042,689
Housing benefits and allowances	1,161,390	1,082,295
Standby and night shift allowance	9,753,869	8,966,302
Bargaining council	43,794	41,252
Current service cost (Medical and long service)	3,563,913	3,376,638
	209,337,716	196,011,607

Remuneration of Municipal manager

Annual Remuneration	1,370,066	1,158,126
Car Allowance	216,000	216,000
Acting allowance	-	198,251
Other	15,560	16,543
	1,601,626	1,588,920

Mr M.E Kolozi was appointed as the Municipal manager by Council and his 5 year term began on 01 May 2022.

Remuneration of Chief finance officer

Annual Remuneration	1,099,967	1,041,894
Car Allowance	216,000	216,000
Other	12,859	12,272
	1,328,826	1,270,166

Mr. L.S Ramaele was appointed by Council as the Chief financial officer and his 5 year term began on 1 March 2020.

Remuneration of Executive manager: Corporate services

Annual Remuneration	1,273,005	567,399
Other	11,620	5,135
	1,284,625	572,534

Ms. G Magole was appointed by Council as the Executive manager: Corporate services and her 5 year term began on 1 December 2021.

Remuneration of Executive manager: Regional planning and reindustrialisation

Annual Remuneration	1,099,967	1,041,894
Car Allowance	216,000	216,000
Other	12,899	14,101
	1,328,866	1,271,995

Mr. Z Mphaphuli was appointed by Council as the Executive manager: Regional planning and reindustrialisation and his 5 year term began on 1 July 2021.

West Rand District Municipality

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25. Employee related costs (continued)

Remuneration of Executive manager: Health & social development

Annual Remuneration	1,315,967	1,257,894
Other	13,290	12,704
	1,329,257	1,270,598

Dr. M Daka was appointed by Council as the Executive manager: Health and social development and her 5 year term began on 1 July 2021.

Remuneration of acting Executive manager: Public safety

Acting allowance	60,461	96,388
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Mr. H.N.J Kahts has been the acting as Executive manager: Public safety from 1 November 2019 to date.

26. Remuneration of councillors

Executive Mayor	695,441	625,275
Mayoral Committee Members	4,748,211	3,770,396
Speaker	436,793	509,608
Councillors	6,097,074	6,212,281
	11,977,519	11,117,560

In-kind benefits

The Executive Mayor, Council Whip, 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 the Speaker has use of a Council owned vehicle for official duties.

Additional information

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

27. Depreciation and amortisation

Property, plant and equipment	5,072,455	4,830,971
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28. Interest costs and penalties

Interest cost - actuarial valuations	8,511,901	6,904,947
Interest cost- Department of labour	583,019	366,117
	9,094,920	7,271,064

29. Lease rentals on operating lease

Equipment

Contractual amounts	379,690	385,384
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Lease rentals on operating lease refer to the lease of office equipment (printing machines) through a transversal contract between Apex Business Systems and the West Rand District Municipality.

West Rand District Municipality

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30. Debt impairment

Debt impairment	(859,325)	(4,062,818)
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The above reversal of debt impairment amount relates to the derecognition of the amount which was erroneously billed to BP Southern Africa and subsequently being corrected.

31. Assets written off

The break down of asset written off is as follows:

Study assistance-written off	-	78,483
Fire debtors- written off	-	3,691,891
Property, plant and equipment- written off (1)	156,355	44,885
	156,355	3,815,259

(1) Property, plant and equipment written off which no longer exists and were derecognised through the asset management policy.

32. Contracted services

Outsourced Services

Administrative and Support Staff	-	9,293
Burial Services	84,522	150,522
Business and Advisory	20,700	18,000
Security Services	3,572,756	3,271,608

Consultants and Professional Services

Business and Advisory	1,797,265	1,453,129
Infrastructure and Planning	71,394	1,677,763
Legal Cost	1,181,570	3,080,284

Contractors

NDPG expenditure (1)	38,373,735	-
Maintenance of Buildings and Facilities	127,859	29,655
Maintenance of Equipment	53,976	-
Maintenance of Unspecified Assets	1,002,123	1,525,209
	46,285,900	11,215,463

(1) This expenditure relates to the design and implementation of Neighbourhood development partnership related construction projects and this is done on behalf of Rand West City Local municipality.

33. Transfer and subsidies

Other subsidies

Roll-over not approved (1)	-	1,163,000
Local Municipalities HIV/ Aids Subsidy	11,932,000	10,200,169
	11,932,000	11,363,169

(1) Roll over not approved relates to the unspent grant relating to HIV/ Aids subsidy which was surrendered back to Gauteng Revenue Fund.

34. Auditors' remuneration

Fees	3,536,193	3,239,734
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West Rand District Municipality

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Figures in Rand	2023	2022
35. Operating costs		
Advertising	306,880	222,015
Auditors remuneration	3,536,193	3,239,734
Bank charges	45,901	47,740
Insurance	2,596,639	2,437,712
Municipal Levies	3,874,974	3,599,549
Fuel and oil	1,300,000	985,050
Royalties and license fees	29,024	127,604
Software expenses	4,037,312	3,525,013
Subscriptions and membership fees	2,467,992	2,238,584
Telephone and fax	1,042,405	928,415
Training	2,099,802	3,377,594
Travel - local	54,275	-
Uniforms	35,780	429,560
Stock and materials	475,004	267,487
Fines and penalties	-	4,600
	21,902,181	21,430,657
36. Cash generated from operations		
(Deficit) surplus	(7,907,424)	911,767
Adjustments for:		
Depreciation and amortisation	5,072,455	4,830,971
Gains on sale of assets and liabilities	(6,433)	-
Workmen's compensation additions	1,536,288	1,240,111
Fair value adjustments	(733,699)	(2,237,124)
Impairment deficit	50,361	1,199,221
Debt impairment	(859,325)	(4,062,818)
Assets written off	156,355	3,815,259
Movements in retirement benefit assets and liabilities	(1,709,695)	3,321,840
Movements in long service award	7,529,188	1,317,680
Actuarial gain/ losses	(3,910,593)	-
Workmen's compensation settlement	2,023,000	-
Other non-cash items	205,380	(6,859,833)
Additions - donations	-	(9,000)
Movement in arbitration awards	248,880	-
Changes in working capital:		
Inventories	163,808	(25,283)
Receivables from exchange transactions	(1,586,894)	164,775
Receivables from non-exchange transactions	526,436	1,379,954
Long-term receivables	-	78,483
Payables from exchange transactions	698,876	(2,540,151)
VAT	1,432,222	(324,977)
Unspent conditional grants and receipts	13,723,337	(955,109)
Movement in employee benefit obligations	486,247	8,197
	17,138,770	1,253,963

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37. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Equipment		
• Contractual amounts	379,690	385,384
Gain on sale of property, plant and equipment	6,433	-
Impairment on property, plant and equipment	50,361	1,199,221
Workmen's compensation movement	1,536,288	1,240,111
Depreciation on property, plant and equipment	5,072,455	4,830,971
Employee related costs and remuneration of councillors	221,315,235	207,129,167

38. Gain on disposal of assets and liabilities

The gains on disposal of assets is made up of the following:

Carrying value of Property, plant and equipment	(299,110)	-
Proceeds from the auction	305,543	-
	6,433	-

A public auction was held on October 2023 at the municipal premises and the municipality made a profit of R6 433.

39. Fair value adjustments

Investment property (Fair value model)	800,000	2,100,000
Biological assets - (Fair value model)	(66,301)	137,124
	733,699	2,237,124

40. Actuarial gains/losses

Actuarial gains/ losses is made up of the following:

Long service award	(4,396,682)	1,630,795
Post employment medical subsidy	8,307,275	2,044,204
	3,910,593	3,674,999

41. Impairment loss

Impairments

Property, plant and equipment	50,361	1,199,221
The impairment loss expense is as a result of infrastructure assets at the Donaldson dam and Cut Foliage Farm being in a poor condition. The condition of the impaired assets has resulted in the municipality not being able to derive any service potential from these assets, deeming the recoverable service amount to be nil.		

The main classes of assets affected by impairment losses are:
Infrastructure assets at Donaldson Dam

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

The impairment loss expense is as a result of infrastructure assets at the Donaldson dam and Cut Foliage Farm being in a poor condition. The condition of the impaired assets has resulted in the municipality not being able to derive any service potential from these assets, deeming the recoverable service amount to be nil.

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42. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	Total
Receivables from exchange transactions	3,363,673	3,363,673
Receivables from non-exchange transactions	733,642	733,642
Cash and cash equivalents	18,525,524	18,525,524
	22,622,839	22,622,839

Financial liabilities

	At fair value	At cost	Total
Trade and other payables from exchange transactions	(35,205,105)	-	(35,205,105)
Transfers payable (non-exchange)	-	(30,444,344)	(30,444,344)
Unspent conditional grants and receipts	-	(15,408,259)	(15,408,259)
	(35,205,105)	(45,852,603)	(81,057,708)

2022

Financial assets

	At fair value	Total
Receivables from exchange transactions	1,878,834	1,878,834
Receivables from non-exchange transactions	1,260,078	1,260,078
Cash and cash equivalents	2,642,064	2,642,064
	5,780,976	5,780,976

Financial liabilities

	At fair value	At cost	Total
Trade and other payables from exchange transactions	(37,237,665)	-	(37,237,665)
Transfers payable (non-exchange)	-	(30,444,344)	(30,444,344)
Unspent conditional grants and receipts	-	(1,684,923)	(1,684,923)
	(37,237,665)	(32,129,267)	(69,366,932)

43. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three core functional areas: public safety, health services and regional planning. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Notes to the Annual Financial Statements

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43. Segment information (continued)

Aggregated segments

The municipality operates throughout the West Rand region in three cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout West Rand were sufficiently similar to warrant aggregation.

West Rand District Municipality

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Figures in Rand

43. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community Service(Pub lic safety	Community Service(He alth)	EconomicD evelopment and Regional Planning	Other *	Total
Revenue					
Revenue from non-exchange transactions	108,247,199	46,469,800	75,198,323	66,351,281	296,266,603
Revenue from exchange transactions	1,274,301	514,656	305,620	2,912,461	5,007,038
Interest revenue	-	-	-	492,271	492,271
Total segment revenue	109,521,500	46,984,456	75,503,943	69,756,013	301,765,912
Interest on investment					2,924,346
Fair value adjustment					733,699
Actuarial gains/ (losses)					3,910,593
Total revenue reconciling items					7,568,638
Entity's revenue					309,334,550
Expenditure					
Salaries and wages	100,061,579	43,407,720	12,333,353	65,512,583	221,315,235
Depreciation and amortisation	2,630,363	324,749	181,639	1,935,704	5,072,455
Other expenses	7,818,229	9,544,943	38,533,955	27,388,519	83,285,646
Total segment expenditure	110,510,171	53,277,412	51,048,947	94,836,806	309,673,336
Total segmental surplus/(deficit)	(988,671)	(6,292,956)	24,454,996	(25,080,793)	(7,907,424)
Total revenue reconciling items					7,568,638
Assets					
Segment assets	35,791,766	4,611,631	3,166,195	48,616,504	92,186,096
Total assets as per Statement of financial Position					92,186,096

West Rand District Municipality

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Figures in Rand

	Community Service(Pub lic safety)	Community Service(He alth)	EconomicD evelopment and Regional Planning	Other *	Total
43. Segment information (continued)					
Liabilities					
Segment liabilities	66,290,859	24,263,626	33,427,718	82,095,126	206,077,329
Total liabilities as per Statement of financial Position					206,077,329

* 'Other' incorporates the departments which are assessed by management as non-segmental information. This includes the support departments such as the office of the Municipal manager, Budget & Treasury office, Corporate services and Corporate Governance.

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

2022

	Community Service (Public safety)	Community Service (Health)	Economic Development and Regional Planning	Other *	Total
Revenue					
Revenue from non-exchange transactions	111,509,734	45,977,717	23,788,040	68,470,460	249,745,951
Revenue from exchange transactions	1,601,726	2,597,909	396,216	1,147,464	5,743,315
Total segment revenue	113,111,460	48,575,626	24,184,256	69,617,924	255,489,266
Entity's revenue					255,489,266
Expenditure					
Salaries and wages	94,951,575	41,660,166	19,425,603	51,091,823	207,129,167
Depreciation and amortisation	2,430,363	324,749	181,639	1,894,237	4,830,988
Other	12,450,574	8,560,540	8,336,724	13,269,506	42,617,344
Total segment expenditure	109,832,512	50,545,455	27,943,966	66,255,566	254,577,499
Total segmental surplus/(deficit)	3,278,948	(1,969,829)	(3,759,710)	3,362,358	911,767

West Rand District Municipality

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43. Segment information (continued)

Assets

Segment assets	40,798,050	5,213,614	3,616,431	28,779,465	78,407,560
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Total assets as per Statement of financial Position					78,407,560
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Liabilities

Segment liabilities	62,894,553	23,020,518	31,715,102	66,761,579	184,391,752
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Total liabilities as per Statement of financial Position					184,391,752
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* 'Other' incorporates the departments which are assessed by management as non-segmental information. This includes the support departments such as the office of the Municipal manager, Budget & Treasury office, Corporate services and Corporate Governance.

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

West Rand District Municipality

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Figures in Rand	2023	2022
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	450,000	450,000
• Neighborhood Development Partnership	70,000,000	43,000,000
	70,450,000	43,450,000
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	3,000,000	2,200,000
Total capital commitments		
Already contracted for but not provided for	70,450,000	43,450,000
Not yet contracted for and authorised by accounting officer	3,000,000	2,200,000
	73,450,000	45,650,000
Authorised operational expenditure		
Already contracted for but not provided for		
• Security services	4,801,310	2,763,472
• Insurance Services	1,509,922	2,501,930
• Operationalisation of RRAMS Programme	2,786,000	2,775,000
• Cellphone Services	1,098,744	994,455
• Integrated financial management system	3,979,994	3,781,285
• Software and telecom	56,810	-
• Vehicle tracking system	7,721	62,677
• Advertising agencies	305,140	250,000
• VAT review services	126,639	506,557
• Maintenance of municipal assets	600,000	855,000
• Conditional assessment on fixed assets and investment property valuation	282,484	735,845
	15,554,764	15,226,221
Not yet contracted for and authorised by accounting officer		
• Pauper burials	200,000	220,000
• Actuarial valuations	19,205	20,700
	219,205	240,700
Total operational commitments		
Already contracted for but not provided for	15,554,764	15,226,221
Not yet contracted for and authorised by accounting officer	219,205	240,700
	15,773,969	15,466,921
Total commitments		
Total commitments		
Authorised capital expenditure	73,450,000	45,650,000
Authorised operational expenditure	15,773,969	15,466,921
	89,223,969	61,116,921

The above disclosed total commitments pertain to 2023/2024 financial year.

Operating leases - as lessee (expense)

Minimum lease payments due

West Rand District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
44. Commitments (continued)		
- within one year	279,408	321,321
- in second to fifth year inclusive	69,852	401,652
	349,260	722,973

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	2,029,857	1,832,512
- in second to fifth year inclusive	3,185,851	461,405
	5,215,708	2,293,917

Operating lease income is derived from the leasing of rental property by the municipality.

45. Contingencies

A litigation is in process against the municipality relating to a dispute with a former municipal manager who alleges that the municipality has unfairly terminated his contract and is seeking damages of R 3,481,377. The municipality's lawyers consider the likelihood of the action against the municipality being unsuccessful as the case expected to be resolved through the high court.

A litigation is in process against the municipality due to a former municipal employee who alleges to have suffered injuries while he was still an employee of the municipality and is seeking damages of R 4 500 000. The municipality's lawyers consider the likelihood of the action against the municipality being unsuccessful as prospects of success to defend the matter in favor of the municipality are very high.

Litigation is in the process against the municipality relating to a dispute whereby IMATU on behalf of its members claims the reimbursement of locomotion allowance which was unfairly suspended from November 2017 and the plaintiff is seeking damages of R 10,305,307. The municipality's lawyers consider the likelihood of the action against the municipality being unlikely, and the case should be resolved within the next two years.

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 municipality had lodged a claim for the first distribution account was approved by the liquidator and paid to the municipality during 2021/22 financial period. The municipality has since then lodged another claim against other distribution accounts and as matters stand the likelihood of any recovery of any amount from the liquidator is uncertain. Numerous follow up has been made and it appears the liquidator is behind the schedule in terms of processing additional claims.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

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46. Related parties

Relationships

Accounting officer

Members of key management

Refer to accounting officer's report note

Mr E.M Koloi: Accounting Officer

Mr L.S Ramaele: Chief Financial Officer

Mr Z. Mphaphuli: Executive manager - Regional
planning and reindustrialisation

Ms G. Magole: Executive manager - Corporate
services

Dr M Daka: Executive manager - Health and social
development

N. Kahts: Acting Executive Manager - Public Safety

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

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46. Related parties (continued)

Remuneration of those charged with governance

Members of Council

2023

	Basic salary	Travel Allowance	Other Benefits (Cell-Phone, 3G card & Skills)	Total
Current 3 months Mayoral committee members and Councillors from April 2023 - June 2023				
Cllr T.M Bovungana (Executive Mayor)	217,825	-	13,389	231,214
Cllr H.B Munyai (Speaker of Council)	104,802	-	7,108	111,910
Ald N Tunzdi-hawu (MMC Financial Services)	125,779	6,070	12,517	144,366
Ald D.S Thabe (MMC: Infrastructure)	125,779	6,070	12,517	144,366
Cllr M.N Ndzilane (MMC Corporate and Shared Services)	125,779	6,070	12,517	144,366
Cllr R.T Molusi (MMC: Public Safety)	139,990	27,927	12,834	180,751
Cllr S Boyce (MMC: Reindustrialisation)	125,779	6,070	12,517	144,366
Cllr S.R Dikana (MMC: Roads and Transport)	131,849	-	12,529	144,378
Cllr A Shikoane (MMC: Health and Social)	131,849	-	12,529	144,378
Cllr B.V Molefe	4,545	-	6,105	10,650
Cllr L Legabe (MMC: Enviromental management)	61,283	-	6,673	67,956
J Zwart	6,346	979	6,131	13,456
B.D Blake	69,706	7,049	11,964	88,719
H.O Butler	96,579	12,140	12,274	120,993
Alme Rowles Z	69,706	7,049	11,964	88,719
B Van der ber	7,482	979	6,143	14,604
J.N Kotze	8,252	857	6,149	15,258
M Myeki	54,629	18,210	11,100	83,939
M.P Teleko	54,629	18,210	11,903	84,742
M Naki	4,545	-	6,105	10,650
H.H Hild	227	-	6,063	6,290
A Steyn	21,400	-	6,274	27,674
A.A Moleko	69,706	7,049	11,964	88,719
N.G Mphafudi	69,706	7,049	11,964	88,719
T.L.J Schoeman	54,629	18,210	11,903	84,742

West Rand District Municipality

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Figures in Rand			2023	2022
46. Related parties (continued)				
M.F Chohledi	54,629	18,210	11,903	84,742
G Kruger	(6,000)	-	6,000	-
F.J.C Steffers	6,818	-	6,128	12,946
B Mahuma	81,666	-	6,877	88,543
N.T Xhale	5,682	-	6,117	11,799
L.P Pii	4,545	-	6,105	10,650
R.J Mokoto	5,682	-	6,117	11,799
O.S.S Moralo	7,115	857	6,138	14,110
B.A Kubayi	5,682	-	6,117	11,799
M.J Koboekae	3,409	-	4,074	7,483
T Ramaisa	3,409	-	4,074	7,483
M.B Nkabinde	4,545	-	6,105	10,650
L.M Mpupu	4,545	-	6,105	10,650
T.M Tlholoe	5,682	-	6,117	11,799
A Saba	3,409	-	6,094	9,503
M.R Lephadi	3,409	-	4,074	7,483
D.C Pannall	54,629	18,210	11,903	84,742
S.A Dabhelia	5,682	-	6,117	11,799
N Mrwetyana	5,682	-	6,117	11,799
Prior 9 months Mayoral committee members and Councillors from July 2022 - March 2023				
Cllr H.H Hild (Executive Mayor)	441,631	-	22,596	464,227
Cllr G Kruger (Speaker)	303,666	-	21,217	324,883
Alme Rowles Z (Chief Whip)	406,512	127,825	38,722	573,059
Cllr J Zwart (MMC: Corporate and Shared Services)	231,541	73,903	21,087	326,531
Cllr B.D Blake (MMC: Financial Services)	406,512	127,825	38,721	573,058
Cllr R.T Molusi (MPAC Chairperson)	394,590	124,044	38,571	557,205
Cllr B Van der ber (MMC: Public Safety)	231,574	73,903	21,087	326,564
Cllr J.N Kotze (MMC: Enviromental management)	202,245	64,664	20,720	287,629
Cllr A.A Moleko (MMC: Infrastructure)	400,743	127,825	38,663	567,231
Cllr N.G Mphafudi (MMC: Health and Social Development)	400,743	127,825	38,663	567,231
Cllr O.S.S Moralo (MMC: Reindustrialisation)	201,994	64,664	20,717	287,375
Cllr H.H Kruger (MMC: Roads and Transport)	146,859	46,286	14,921	208,066
Ald D.S Thabe	191,693	53,922	35,981	281,596
Cllr N Tundzi-Hawu	183,485	53,922	35,899	273,306
Cllr H.O Butler	182,688	53,922	35,891	272,501
Cllr M.N Ndzilane	175,335	53,922	35,818	265,075
Cllr M Myeki	174,791	53,922	33,300	262,013

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Figures in Rand			2023	2022
46. Related parties (continued)				
Cllr M.P Teleko	170,852	53,922	35,773	260,547
Cllr M Naki	14,768	-	18,328	33,096
Cllr H.B Munyai	16,103	-	18,341	34,444
Cllr A Steyn	31,562	-	4,356	35,918
Cllr T.M Bovungana	224,006	-	35,873	259,879
Cllr S.R Dikana	244,006	-	35,873	279,879
Cllr S Boyce	170,084	53,922	35,765	259,771
Cllr A Shikoane	224,006	-	35,873	259,879
Cllr T.L.I Schoeman	170,084	53,922	35,765	259,771
Cllr M.F Chohledi	170,084	53,922	35,765	259,771
Cllr B Makhene	13,891	-	16,299	30,190
Cllr F.J.C Steffers	43,037	-	18,610	61,647
Cllr B Mahuma	13,967	-	18,320	32,287
Cllr L Legabe	12,930	-	18,309	31,239
Cllr B.V Molefe	16,272	-	18,343	34,615
Cllr N.T Xhale	19,781	-	18,378	38,159
Cllr L.P Pii	10,591	-	18,286	28,877
Cllr R.J Mokoto	15,269	-	18,333	33,602
Cllr B.A Kubayi	46,446	-	18,644	65,090
Cllr M.J Koboekae	26,764	-	18,448	45,212
Cllr T Ramaisa	26,731	-	18,447	45,178
Cllr M.B Nkabinde	12,864	-	18,309	31,173
Cllr L.M Mpupu	15,169	-	18,332	33,501
Cllr T.M Tlholoe	18,611	-	18,366	36,977
Cllr A Saba	12,897	-	18,309	31,206
Cllr M.R Lephadi	26,532	-	18,445	44,977
Cllr D.C Pannall	165,635	53,922	35,721	255,278
Cllr S.A Dabhelia	16,405	-	15,697	32,102
	8,768,970	1,685,249	1,523,300	11,977,519

2022

	Fee as a member of council	Other Short term benefits	Other benefits received	Total
Prior to 2021 Local Government Elections				

West Rand District Municipality

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Figures in Rand	2023		2022	
46. Related parties (continued)				
D.S Thabe (Executive Mayor)	239,442	79,783	2,543	321,768
Ald. N Tundzi-Hawu (Speaker)	205,125	84,056	2,198	291,379
Ald. F.O Bhayat (MMC: Financial Services)	111,927	38,581	1,430	151,938
D.D Moreotsenye (MMC: Corporate and Shared Services)	192,305	79,783	2,071	274,159
S. Konopi (MMC: Roads and Transport)	192,305	79,783	2,071	274,159
M.J Selibo (MMC: Infrastructure)	95,252	40,227	1,291	136,770
B. Xulu (MMC: Health and Social Services)	192,305	79,783	2,281	274,369
P. Chabane (MMC: Re-industrialisation)	123,684	42,500	1,579	167,763
Ald. T.P Matuwane (MMC: Environmental Management)	192,305	79,783	2,071	274,159
H.O Butler (MMC: Public Safety)	192,305	79,783	2,593	274,681
S.P Monoane (Council Whip)	192,305	79,783	2,071	274,159
V.B Khumalo (MPAC Chairperson)	118,044	47,824	1,580	167,448
Ald. J Zwart	15,676	8,476	242	24,394
Ald. D.H Pretorius	80,378	42,473	1,175	124,026
G.S Isherwood	80,378	42,473	1,175	124,026
Ald. B.D Blake	80,378	42,473	1,175	124,026
M.N Ndzilane	80,378	42,473	957	123,808
A.L Rowles-Zwart	80,378	42,473	1,175	124,026
R.T Molusi	80,378	42,473	1,175	124,026
K Mandyu	80,378	42,473	957	123,808
J.D.H Du Bruyn	37,931	20,044	445	58,420
B.A Mpeke	15,676	8,476	242	24,394
M Ndamase	-	18,676	187	18,863
A.J Van Tonder	15,676	8,476	242	24,394
P.C Orpen	-	12,556	126	12,682
M. Nkoe	15,676	8,476	242	24,394
B. Van Der Berg	15,676	8,476	242	24,394
K.E Lekagane	-	15,616	156	15,772
J.N Kotze	-	17,656	177	17,833
W. Segolodi	-	14,596	146	14,742
X.L Mkruquli	-	14,596	146	14,742
L Modise	-	18,676	187	18,863
M.M Sello	-	21,736	217	21,953
B.R Mafika	15,676	8,476	242	24,394
W.S Njani	15,676	8,476	242	24,394
M. Myeki	72,045	30,267	-	102,312
M.P Teleko	15,676	8,476	242	24,394

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Figures in Rand			2023	2022
46. Related parties (continued)				
J.L Pannall	-	15,616	156	15,772
M. Naki	15,676	8,476	242	24,394
H.H Hild	15,676	8,476	242	24,394
I.M Merabe	15,676	8,476	242	24,394
H.B Munyai	15,676	8,476	242	24,394
M.L Agondo	-	18,676	187	18,863
I.M Rebelo	80,378	42,473	1,175	124,026
A Steyn	23,481	20,690	422	44,593
Subsequent to 2021 Local Government Elections				
Cllr H.H Hild (Executive Mayor)	280,033	20,486	2,988	303,507
Cllr G Kruger (Speaker)	189,091	27,007	2,131	218,229
Ald B.D Blake (MMC: Financial Services)	244,855	129,835	3,575	378,265
Ald J.D.W Zwart (MMC: Corporate and Shared Services)	121,099	56,111	1,691	178,901
Cllr B Van Der Berg (MMC: Public Safety)	121,099	57,214	1,702	180,015
Cllr N.G Mphafudi (MMC: Health and Social Development)	244,855	129,835	3,575	378,265
Cllr O.S.S Moralo (MMC: Reindustrialisation)	105,954	51,973	1,509	159,436
Cllr A.A Moleko (MMC: Infrastructure)	244,855	129,835	3,575	378,265
Cllr H.H Kruger (MMC: Roads and Transport)	105,954	51,973	1,509	159,436
Cllr J Kotze (MMC: Enviroment)	84,763	43,818	1,226	129,807
Cllr ALME Rowles-Zwart (Council Whip)	261,001	133,679	3,764	398,444
Cllr T Molusi (MPAC Chairperson)	254,036	131,358	3,676	389,070
Ald D.S Thabe	123,756	87,931	2,025	213,712
Ald N Tundzi-Hawu	123,756	87,931	2,025	213,712
Cllr B Mahuma	-	23,032	230	23,262
Cllr S.R Dikana	147,328	64,358	2,073	213,759
Cllr H.O Butler	123,756	87,931	2,025	213,712
Cllr M.N Ndzilane	123,756	87,931	2,025	213,712
Cllr T.M Tlholoe	-	24,342	243	24,585
Cllr A Saba	-	23,239	243	23,482
Cllr M.R Lephadi	-	21,239	212	21,451
Cllr S.A Dabhelila	-	24,548	245	24,793
Cllr R.J Mokoto	-	28,548	285	28,833
Cllr T.M Bovhungana	147,328	64,358	2,073	213,759
Cllr F.J.C Steffers	-	45,097	451	45,548
Cllr L Legabe	-	26,342	263	26,605
Cllr BV Molefe	-	24,136	241	24,377
Cllr N.T Xhale	-	27,445	274	27,719

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Figures in Rand	2023		2022	
46. Related parties (continued)				
Cllr L.P PII	-	24,136	241	24,377
Cllr S.L.A Cochrane	-	4,262	46	4,308
Cllr B.A Kubai	-	45,096	451	45,547
Cllr G.S Isherwood	38,895	41,884	773	81,552
Cllr M.J Koboekae	-	32,961	330	33,291
Cllr T Ramaisa	-	31,858	319	32,177
Cllr X.L Mkruquli	-	5,310	53	5,363
Cllr A Shikoane	147,328	64,358	2,073	213,759
Cllr T.L.J Schoeman	123,756	87,931	2,025	213,712
Cllr M.F Chohledi	123,756	87,931	2,025	213,712
Cllr B Makhene	-	27,445	274	27,719
Cllr M. Myeki	123,756	87,931	-	211,687
Cllr M.P Teleko	123,756	87,931	2,025	213,712
Cllr J.L Pannall	53,058	78,047	1,236	132,341
Cllr M. Naki	-	24,136	241	24,377
Cllr M.B Nkabinde	-	24,136	214	24,350
Cllr L.M Mpupu	-	23,239	232	23,471
Cllr H.B Munyai	-	30,755	315	31,070
Cllr S Boyce	123,756	87,931	2,025	213,712
	6,917,233	4,101,376	98,951	11,117,560

Other governance committees

2023

	Audit committee	Performance Audit committee	Risk management committee	Disciplinary Board	Total
Members of the committee					
L Konar (AC Chairperson)	48,570	-	-	-	48,570
B Ahmed (AC Member)	33,282	-	-	-	33,282
L Mangquku (AC Member)	23,568	-	-	-	23,568
M Maseko (AC Member)	35,352	-	-	-	35,352
L Ravhuhali (AC Member)	45,066	-	-	-	45,066
P Mongalo (PAC Chairperson)	-	37,104	-	-	37,104
P Fourie (PAC Member)	-	5,892	-	-	5,892

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Figures in Rand	2023		2022	
46. Related parties (continued)				
A Mangokwana (PAC Member)	-	5,892	-	5,892
S.P Khoza (PAC Member)	-	23,568	-	23,568
O Senokoane (PAC Member)	-	1,308	-	1,308
M.J Mohlakoana (RMC Chairperson)	-	-	3,600	3,600
L.A Malinga (Former RMC Chairperson and DC Board)	-	-	8,632	5,892
K Moahloli (DC Board Chairperson)	-	-	-	19,428
	185,838	73,764	12,232	25,320
				297,154

2022

	Audit committee	Performance Audit committee	Risk management committee	Disciplinary Board	Total
Members of the committee					
L Konar (AC Chairperson)	8,632	-	-	-	8,632
B Ahmed (Former AC Chairperson) and PAC member	25,896	20,952	-	-	46,848
L Mangquku (AC Member)	15,714	-	-	-	15,714
M Maseko (AC Member)	5,238	-	-	-	5,238
L Ravhuhali (AC Member)	5,238	-	-	-	5,238
P Mongalo (PAC Chairperson)	20,952	43,160	-	-	64,112
P Fourie (PAC Member)	-	20,952	-	-	20,952
A Mangokwana (PAC Member)	-	20,952	-	-	20,952
S.P Khoza (PAC Member)	-	5,238	-	-	5,238
L.A Malinga (RMC Chairperson, DC Board and Former AC Member)	20,952	-	17,264	76,596	114,812
K Moahloli (DC Board Chairperson)	-	-	-	135,996	135,996
K.P Governder (Former PAC Member)	-	20,952	-	-	20,952
	102,622	132,206	17,264	212,592	464,684

West Rand District Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
47. Prior-year adjustments				
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:				
Statement of financial position				
2022				
	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4	3,654,735	(1,544,790)	2,109,945
Property, plant and equipment	9	63,344,738	21,233	63,365,971
VAT payables	12	(815,418)	270,607	(544,811)
Provisions	15	(13,653,010)	1,256,056	(12,396,954)
Accumulated deficit		107,659,751	(3,106)	107,656,645
Payables from exchange transactions		70,587,667	(1,672,454)	68,915,213
		230,778,463	(1,672,454)	229,106,009

Statement of financial performance

2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment	18	2,111,850	(123,437)	-	1,988,413
Interest received (trading)		278,397	(90,540)	-	187,857
Debt Impairment	30	3,532,953	529,865	-	4,062,818
Contracted services	32	(11,064,941)	-	(150,522)	(11,215,463)
Transfers and subsidies	33	(11,513,691)	-	150,522	(11,363,169)
Operating costs	35	(21,430,657)	-	-	(21,430,657)
Interest costs and penalties		(8,943,517)	1,672,453	-	(7,271,064)
Surplus for the year		(47,029,606)	1,988,341	-	(45,041,265)

* Included in the 'correction of error' column for Statement of financial performance are the amounts which only relates to the 2022 financial year, which presents the effect of the error affecting the comparative information.

Cash flow statement

2022				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Grants		246,694,000	3,600,346	250,294,346
Other receipts		11,477,696	(3,600,346)	7,877,350
Suppliers		(51,278,780)	(200)	(51,278,980)
		206,892,916	(200)	206,892,716

Errors

The municipality identified errors affecting prior periods and has restated the prior balances in the financial statements.

The following prior period errors adjustments occurred:

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Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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47. Prior-year adjustments (continued)

Receivables from exchange transactions and VAT payables

The municipality erroneously billed BP Southern Africa in the past financial years and this was not in line with the lease agreement concluded by all parties to contract. The municipality is correcting the error to restate the opening balance of gross balance of other consumer debtors and provision for doubtful debts, of which the debt relating to BP was not supposed have been impaired in the prior period. This will also affect the opening balance of VAT payables on the invoices levied to the affected customer.

Property, plant and equipment

The municipality is assessing the useful-life for the period under review, which also has an impact on prior period and the municipality will therefore restate the opening balance of accumulated depreciation.

Provisions

The municipality has been making estimates on provision for workmen's compensation based on the portion of basic salaries for prior periods. The municipality received a statement of account from the department of labour and will be correcting the opening balance.

Cash flows from operating activities

The municipality reclassified the LG seta grant from other receipts to grants as per the nature of the conditions of the LG seta grant.

Payables from exchange transactions and Interest costs

The municipality has entered into an agreement with the local municipality to write-off interest costs and penalties, the municipality is correcting the error to restate the opening balance of prior year.

Reclassifications

In promoting prudence with regards to financial reporting the municipality had to assess line items on financial statements and categories in the line items notes to ensure that they are properly reclassified.

The following reclassifications adjustment occurred:

Property, Plant and Equipment

Items disclosed in the asset register such as carports and tar road were previously classified under community facilities and are being reclassified as Buildings.

Property, Plant and Equipment at Carrying value	As previously reported	Re-Classification	Restated
Buildings	10,342,023	4,059,351	14,401,374
Community facilities	4,059,351	(4,059,351)	-
	14,401,374	-	14,401,374

48. Risk management

Financial risk management

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

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48. 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.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in fresh produce prices. The municipality does not anticipate that fresh produce prices will further decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in fresh produce prices.

Interest rate risk

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

49. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus (deficit) of R (113,891,233) and that the municipality's total liabilities exceed its assets by R (113,891,233).

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 National Treasury, National CoGTA, Gauteng Provincial Treasury and Gauteng Provincial CoGTA on monthly basis. The municipality annually reviews its financial turnaround strategy as part of budget related policies and reports to Gauteng Provincial Treasury on challenges and improvements.

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 fasttracking service delivery and ensure that municipalities are adequately supported and resourced to carry out their mandate.

The municipality manages its working capital management by continuous engagements with their major creditors and payments are made upon the receipt of equitable share tranche. The municipality entered into settlement agreement with its consumer debtors and local municipalities to collect amounts outstanding to them. Cash flow forecast is reviewed and analysed regularly to manage monthly unavoidable obligations.

50. Events after the reporting date

Any events or transactions which occurred after 30 June 2023 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 2023/2024 financial year disclosed under commitments note 44.

West Rand District Municipality

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51. Unauthorised expenditure		
Opening balance as previously reported (1)	84,842,126	72,390,938
Add: Unauthorised expenditure - current (2)	5,114,614	-
Add: Unauthorised expenditure - prior period (3)	-	12,451,188
Closing balance	89,956,740	84,842,126

(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 over-expenditure of actual expenditure when compared to the budgeted expenditure due to assets written off which were approved by Council and interest costs determination actuarial valuation experts which is beyond the control of the municipality. This was identified during preparation of annual financial statements for 2022/2023 and will be submitted to Council.

(3) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to assets written off which were approved by Council and expenditure on pauper burials which is beyond the control of the municipality. This was identified during preparation of annual financial statements for 2021/2022 and has been submitted to Council.

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

Non-cash	5,114,614	11,138,497
Cash	-	1,312,691
	5,114,614	12,451,188

Analysed as follows: non-cash

Depreciation and amortisation	-	2,030,192
Interest costs and penalties	2,991,920	6,524,064
Assets written off	156,355	-
Other expenditure	1,966,339	2,584,241
	5,114,614	11,138,497

Analysed as follows: cash

Transfers and grants paid- pauper burials	-	149,691
Transfers and grants paid- roll over surrendered to Revenue funds	-	1,163,000
	-	1,312,691

Unauthorised expenditure: Budget overspending – per municipal department:

Corporate governance	5,114,614	925,453
Corporate services	-	1,375,117
Budget and Treasury office	-	6,063,465
Health and social development	-	1,312,691
Public safety	-	1,575,241
Regional planning and economic development	-	1,199,221
	5,114,614	12,451,188

Recoverability 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.

West Rand District Municipality

Annual Financial Statements for the year ended June 30, 2023

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51. Unauthorised expenditure (continued)

Recoverability of unauthorised expenditure

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.

A claim for the first distribution account was approved by the liquidator and paid to the municipality during 2021/22 financial period. The municipality has lodged another claim against other distribution accounts.

52. Fruitless and wasteful expenditure

Opening balance as previously reported	2,394,010	2,027,893
Add: Fruitless and wasteful expenditure identified - current (1)	583,019	-
Add: Fruitless and wasteful expenditure identified - prior period (1)	-	366,117
Closing balance	2,977,029	2,394,010

(1) This relates to interest levied on workmen's compensation as the amount is outstanding.

53. Irregular expenditure

Opening balance as previously reported	71,103,593	71,103,593
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Cases under investigation

Saturday, June 30, 2018 (prior period: Friday, June 30, 2017) cases related to non-compliance with procurement process requirements.

Tuesday, June 30, 2020 (prior period: Sunday, June 30, 2019) cases related to other non-compliance with laws, regulations, council policies and/or by-laws.

Municipal Supply Chain Management Policies and PPPFA Act	71,103,593	71,103,593
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54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	7,136,930	6,425,374
Current year subscription / fee	2,407,599	2,211,556
Amount paid - current year	(1,500,000)	(1,500,000)
	8,044,529	7,136,930

Material losses through criminal conduct

Opening balance as previously reported	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.

West Rand District Municipality

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

Audit fees

Opening balance	1,716,906	2,730,107
Current year subscription / fee	3,536,193	3,239,734
Amount paid - current year	(4,670,099)	(4,252,935)
	583,000	1,716,906

PAYE and UIF

Opening balance	2,656,918	3,398,041
Current year subscription / fee	34,826,152	32,436,965
Amount paid - current year	(34,752,029)	(33,178,088)
	2,731,041	2,656,918

Pension and Medical Aid Deductions

Opening balance	2,952,853	5,318,842
Current year subscription / fee	36,908,445	35,420,845
Amount paid - current year	(34,835,437)	(37,786,834)
	5,025,861	2,952,853

VAT

VAT payable	(1,977,033)	(544,811)
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VAT output payables and VAT input receivables are shown in note 12.

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 any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Sole provider	7,381	1,236,303
Impractical to follow SCM processes	43,526	-
	50,907	1,236,303

Non-compliance with the Municipal Finance Management Act

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.

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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.

Maintenance plan was sought for vehicles bought through National Treasury transversal contract during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Municipal Manager who considered them and subsequently approved the deviation from the normal supply chain management regulations.