

Planning by	Reviewed	Performed by	Final review



Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements
for the year ended 30 June 2020

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business	Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local municipalities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.
Legislation governing the municipality's operations	Municipal Finance Management Act (Act 56 of 2003) Municipal Systems Act (Act 32 of 2000) Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations
Members of Council	
Executive Mayor	Cllr F.M. Makgatho
Speaker	Cllr N.C. Mangole
Chief Whip	Cllr S.I. Dube
Municipal Public Accounts Committee	Cllr D.S David
Members of Mayoral Committee	MMC LED and Rural Development: Cllr T.P. Moeketsi MMC Finance: Cllr N.M. Sedumedi MMC Utility Management Services: Cllr T.I. Nzwane MMC Public Works, Roads and Transport: Cllr M.B. Mdlane MMC Corporate Support Services & Strategic Planning: Cllr M. Khuzwayo MMC Intergrated Environmental Management: Cllr M.F. Chohledi MMC Health and Social Development: Cllr N.E. Cindi MMC Sports, Recreation, Arts, Culture and Heritage: Cllr C.M. Ntlatlane-Nzwane MMC Community Safety: Cllr A.K. Setswalo-Moja MMC Human Settlement: Cllr B.E. Nkosi
Councillors	Cllr Mathapelo L. Agondo Cllr Farouk Bhayat Cllr Shabier A. Dabhelia Cllr L.G Resha Cllr Molebatsi J. Jim Cllr Gilbert K. Gaselebelwe Cllr Velile Khumalo Cllr Mathibe P.J. Madumo Cllr Isaac Mangole Cllr Pelesi J. Makokwe Cllr Lerato Modise Cllr Godfrey I. Moilwanyane Cllr Rabatho J. Mokotla Cllr Benard V. Molefe Cllr Azwindini G. Mutele Cllr Mlungisi Ndamase Cllr Batsheba N. Ngakane Cllr William Ngwako Cllr P.T. Molapo

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General Information

Cllr Mavhungu O. Ramadi
Cllr Molefi J. Selibo
Cllr Susan Silaule
Cllr Meshack D. Sithole
Cllr Komityi Mapetla
Cllr Kelebogile Ngwenya
Cllr John Koboekae
Cllr Judas Makgopa
Cllr Rakwena B. Seemela
Cllr Maria L. Khoza
Cllr Livingstone Mruquli
Cllr Goitsemodimo A. Tsele
Cllr Wonderful Segolodi
Cllr Bobie S. Tlapu
Cllr Andries S. Eksteen
Cllr Sharon Govinsamy
Cllr Tyrone M. Gray
Cllr Jacobus J Holtzhausen
Cllr Jacques S. Hoon
Cllr Botshe A. Kubayi
Cllr Johannes N. Kotze
Cllr Christo A. Kotze
Cllr Ntombikayise T. Lebe
Cllr Kagiso E. Lekagane
Cllr Aletta Wentzel
Cllr Edwina Mahne
Cllr Lawrence B. Shabalala
Cllr Lesego L. Lekoto
Cllr Jade Miller
Cllr Ernest Modise
Cllr Margaret Mohube
Cllr Themba E. Mokoena
Cllr Louis W. Moleba
Cllr Maria C.G. Naude
Cllr Lynette E. Du Toit
Cllr Jaqueline L. Pannall
Cllr Pheasant C. Orpen-Reid
Cllr Zillah Wehinger-Maguire
Cllr Chris J van der Westhuizen
Cllr Lynette W Zwankhuizen
Cllr Tjaart Steenkamp
Cllr Helena H. Kruger
Cllr S.D. Letsie
Cllr Oupa S.S. Moralo

In the course of the reporting period, the following councillor Cllr P.N. Lipudi (Deceased) ceased to be a political office-bearer

Grading of local authority

High Capacity (Grade 5)

Accounting Officer

Mr M.P. Raedani

Chief Finance Officer

Ms D.S. Diale

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General Information

Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Auditors	Auditor - General South Africa (AGSA) Registered Auditors
Audit Committee members	Mr Bashir Ahmed (Chair) (From July 2019 – June 2020) Mr Luvuyo Malinga (From July 2019 – June 2020) Mr Todani Nemadzhilili (From July 2019 – June 2020) Mr Luyanda Mangquku (From July 2019 - June 2020) Mr Percy Mongalo (From January 2019-June 2020)
Bankers	Standard Bank of South Africa Limited

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Index and Acronyms

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

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Index and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
COIDA	Compensation for Occupational Injuries and Diseases Act
COVID-19	Corona Virus Disease 2019
DBSA	Development Bank of South Africa
DoE	Department of Energy
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HIV	Human Immunodeficiency Virus
HSDG	Human Settlement Development Grant
INEP	Integrated National Electrification Programme
IUDG	Integrated Urban Development Grant
MBRR	Municipal Budget and Reporting Regulations
MCLM	Mogale City Local Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
NDPG	Neighbourhood Development Grant
NERSA	National Electricity Regulator of South Africa
SDBIP	Service Delivery and Budget Implementation Plan
SRAC	Sports, Recreation, Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

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Annual Financial Statements for the year ended 30 June 2020

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

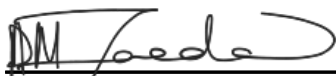
The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

I certify that the salaries, Allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The External Auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 100, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 October 2020.



Accounting Officer
M.P. Raedani

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	17 027 979	19 493 283
Receivables from non-exchange transactions	3	198 843 687	154 441 628
Receivables from exchange transactions	4	320 138 333	231 744 921
Cash and cash equivalents	5	98 336 387	60 674 286
Operating lease asset	6	96 044	121 517
VAT receivable	7	22 549 231	35 736 584
		656 991 661	502 212 219
Non-Current Assets			
Investment property	8	704 209 638	663 918 453
Property, plant and equipment	9	5 717 935 231	5 762 284 569
Intangible assets	10	1 346 326	2 764 638
Heritage assets	11	2 445 480	2 494 740
Financial assets	12	575 254	762 842
		6 426 511 929	6 432 225 242
Total Assets		7 083 503 590	6 934 437 461
Liabilities			
Current Liabilities			
Operating lease liability	6	256 093	245 808
Employee benefit obligation	13	18 321 186	13 220 246
Finance lease obligation	14	22 008 858	16 772 867
Unspent conditional grants and receipts	15	6 488 097	138 829
Provisions	16	17 531 308	12 774 713
Payables from non-exchange transactions	17	81 631 512	76 627 038
Payables from exchange transactions	18	990 854 817	802 586 518
Financial liabilities	19	36 172 971	34 809 261
Sundry deposits	20	12 244 629	11 996 801
Consumer deposits	21	61 027 726	57 696 053
		1 246 537 197	1 026 868 134
Non-Current Liabilities			
Employee benefit obligation	13	202 043 939	239 055 805
Finance lease obligation	14	13 895 841	34 628 782
Provisions	16	75 268 345	72 327 595
Financial liabilities	19	249 190 588	285 363 559
		540 398 713	631 375 741
Total Liabilities		1 786 935 910	1 658 243 875
Net Assets		5 296 567 680	5 276 193 586
Social Responsibility		28 514 391	23 871 526
Accumulated surplus		5 268 053 289	5 252 322 060
Total Net Assets		5 296 567 680	5 276 193 586

* See Note 46

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Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	1 638 650 416	1 495 711 324
Rental of facilities and equipment	24	7 470 851	8 740 918
Income from agency services	25	20 178 045	26 305 329
Licences and permits		8 813	32 073
Operational revenue	26	75 516 135	58 707 956
Interest received - Outstanding debtors	27	46 723 223	54 189 936
Interest received - Investment	28	2 537 207	5 100 186
Dividends received	28	26 079	24 361
Total revenue from exchange transactions		1 791 110 769	1 648 812 083
Revenue from non-exchange transactions			
Statutory income: Property rates	29	563 272 028	561 316 872
Transfers & subsidies	30	652 791 495	737 955 222
Fines, Penalties and Forfeits	31	38 415 862	56 335 142
Fair value adjustments investment property	32	40 103 599	19 670 789
Total revenue from non-exchange transactions		1 294 582 984	1 375 278 025
Total revenue		3 085 693 753	3 024 090 108
Expenditure			
Employee related costs	33	(833 393 586)	(779 708 637)
Remuneration of councillors	34	(33 585 529)	(34 389 968)
Depreciation and amortisation	35	(237 284 896)	(240 713 069)
(Impairment loss)/Reversal of impairments	36	(490 977)	(30 892 815)
Finance costs	37	(49 378 336)	(48 251 895)
Debt Impairment	38	(243 916 222)	(246 656 906)
Collection costs	39	(38 378 640)	(45 258 182)
Bulk purchases	40	(1 079 891 069)	(981 788 596)
Contracted services	41	(402 325 397)	(318 174 021)
Transfers and Subsidies	42	(1 700 867)	(2 786 706)
Operational costs	43	(149 617 035)	(141 573 606)
Total expenditure		(3 069 962 554)	(2 870 194 401)
Surplus for the year		15 731 199	153 895 707

* See Note 46

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Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Balance at 01 July 2018	18 903 126	5 098 426 369	5 117 329 495
Changes in net assets			
Surplus for the year	-	153 895 707	153 895 707
Social Responsibility	4 968 400	-	4 968 400
Total changes	4 968 400	153 895 707	158 864 107
Restated* Balance at 01 July 2019	23 871 526	5 252 322 090	5 276 193 616
Changes in net assets			
Surplus for the year	-	15 731 199	15 731 199
Social Responsibility	4 642 865	-	4 642 865
Total changes	4 642 865	15 731 199	20 374 064
Balance at 30 June 2020	28 514 391	5 268 053 289	5 296 567 680

Note(s)

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

* See Note 46

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 688 116 630	1 562 572 446
Property rates		563 272 028	561 316 872
Interest income		49 260 430	59 290 122
Dividends received		26 079	24 361
Grants		659 140 763	713 749 741
		2 959 815 930	2 896 953 542
Payments			
Employee costs		(898 890 041)	(807 478 900)
Suppliers		(1 260 915 038)	(1 232 649 262)
Finance costs		(49 378 336)	(48 251 895)
Other payments		(470 705 241)	(362 421 663)
		(2 679 888 656)	(2 450 801 720)
Net cash flows from operating activities	44	279 927 274	446 151 822
Cash flows from investing activities			
Purchase of property, plant and equipment		(193 087 729)	(446 024 025)
Derecognition of property, plant and equipment		1 144 707	12 708 031
Proceeds from investment property		-	7 672 400
Purchase of other intangible assets		(65 200)	-
Derecognition of intangible assets		-	92 068
Purchases of heritage assets		-	(28 699)
Derecognition of heritage assets		49 260	-
Net cash flows from investing activities		(191 958 962)	(425 580 225)
Cash flows from financing activities			
Repayment of financial liabilities		(34 809 261)	(34 923 871)
Finance lease receipts		(15 496 950)	34 651 719
Net cash flows from financing activities		(50 306 211)	(272 152)
Net increase/(decrease) in cash and cash equivalents		37 662 101	20 299 445
Cash and cash equivalents at the beginning of the year		60 674 286	40 374 841
Cash and cash equivalents at the end of the year	5	98 336 387	60 674 286

* See Note 46

Mogale City Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 663 380 104	161 519 345	1 824 899 449	1 638 650 416	(186 249 033)	
Rental of facilities and equipment	22 551 531	(13 801 530)	8 750 001	7 470 851	(1 279 150)	45.1
Interest received (Outstanding debtors)	45 114 909	18 894 681	64 009 590	46 723 223	(17 286 367)	45.2
Income from agency services	28 837 217	-	28 837 217	20 178 045	(8 659 172)	45.3
Licences and permits	45 916	-	45 916	8 813	(37 103)	45.5
Operational revenue	259 956 858	(151 539 810)	108 417 048	75 516 135	(32 900 913)	45.8
Interest received - investment	7 389 907	-	7 389 907	2 537 207	(4 852 700)	45.4
Dividends received	-	-	-	26 079	26 079	
Total revenue from exchange transactions	2 027 276 442	15 072 686	2 042 349 128	1 791 110 769	(251 238 359)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	576 921 581	(15 604 709)	561 316 872	563 272 028	1 955 156	
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Transfer revenue

Transfers and subsidies	665 052 000	(5 796 819)	659 255 181	652 791 495	(6 463 686)	
Fines, Penalties and Forfeits	52 645 556	3 584 843	56 230 399	38 415 862	(17 814 537)	45.7
Fair value adjustments investment property	-	20 357 012	20 357 012	40 103 599	19 746 587	45.6

Total revenue from non-exchange transactions	1 294 619 137	2 540 327	1 297 159 464	1 294 582 984	(2 576 480)	
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Total revenue	3 321 895 579	17 613 013	3 339 508 592	3 085 693 753	(253 814 839)	
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Expenditure

Employee related costs	(809 949 061)	(23 444 525)	(833 393 586)	(833 393 586)	-	
Remuneration of councillors	(36 040 000)	2 454 471	(33 585 529)	(33 585 529)	-	
Depreciation and amortisation	(284 294 881)	36 055 707	(248 239 174)	(237 284 896)	10 954 278	
Impairment loss/ Reversal of impairments	(8 278 814)	7 787 837	(490 977)	(490 977)	-	
Finance costs	(50 423 081)	1 044 745	(49 378 336)	(49 378 336)	-	
Debt Impairment	(125 040 540)	(118 875 682)	(243 916 222)	(243 916 222)	-	
Collection costs	(32 068 091)	(6 310 549)	(38 378 640)	(38 378 640)	-	
Bulk purchases	(1 067 727 403)	(12 163 666)	(1 079 891 069)	(1 079 891 069)	-	
Contracted Services	(340 257 144)	(85 688 054)	(425 945 198)	(402 325 397)	23 619 801	
Transfers and Subsidies (operational expenditure)	(5 125 136)	3 408 801	(1 716 335)	(1 700 867)	15 468	
Operational costs	(216 760 922)	66 037 623	(150 723 299)	(149 617 035)	1 106 264	
Total expenditure	(2 975 965 073)	(129 693 292)	(3 105 658 365)	(3 069 962 554)	35 695 811	
Surplus/(deficit)	345 930 506	(112 080 279)	233 850 227	15 731 199	(218 119 028)	

See note 45

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	19 652 405	(121 310)	19 531 095	17 027 979	(2 503 116)	
Receivables from non-exchange transactions	-	-	-	198 843 687	198 843 687	
Receivables from exchange transactions	406 979 416	145 173 031	552 152 447	320 138 333	(232 014 114)	
Cash and cash equivalents	431 162 223	(428 244 261)	2 917 962	98 336 387	95 418 425	
Operating lease asset	-	-	-	96 044	96 044	
VAT receivable	37 069 876	(11 732 439)	25 337 437	22 549 231	(2 788 206)	
	894 863 920	(294 924 979)	599 938 941	656 991 661	57 052 720	
Non-Current Assets						
Investment property	665 386 614	(5 690 000)	659 696 614	704 209 638	44 513 024	
Property, plant and equipment	5 642 950 310	(62 883 672)	5 580 066 638	5 717 935 231	137 868 593	
Intangible assets	5 436 728	(950 000)	4 486 728	1 346 326	(3 140 402)	
Heritage assets	2 466 041	-	2 466 041	2 445 480	(20 561)	
Financial assets	-	693 058	693 058	575 254	(117 804)	
	6 316 239 693	(68 830 614)	6 247 409 079	6 426 511 929	179 102 850	
Total Assets	7 211 103 613	(363 755 593)	6 847 348 020	7 083 503 590	236 155 570	
Liabilities						
Current Liabilities						
Employee benefit obligation	-	-	-	18 321 186	18 321 186	
Finance lease obligation	-	-	-	22 008 858	22 008 858	
Unspent conditional grants and receipts	-	-	-	6 488 097	6 488 097	
Provisions	4 660 371	1 976 047	6 636 418	17 531 308	10 894 890	
Payables from non-exchange transactions	-	-	-	81 631 512	81 631 512	
Payables from exchange transactions	524 146 274	(1 401 381)	522 744 893	990 854 817	468 109 924	
Financial liabilities	34 809 261	1 363 710	36 172 971	36 172 971	-	
Sundry deposits	-	-	-	12 244 629	12 244 629	
Consumer deposits	67 907 792	6 919 002	74 826 794	61 027 726	(13 799 068)	
Operating lease liability	-	-	-	256 093	256 093	
	631 523 698	8 857 378	640 381 076	1 246 537 197	606 156 121	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	202 043 939	202 043 939	
Finance lease obligation	-	-	-	13 895 841	13 895 841	
Provisions	252 180 282	86 929 357	339 109 639	75 268 345	(263 841 294)	
Financial liabilities	293 088 923	(13 202 588)	279 886 335	249 190 588	(30 695 747)	
	545 269 205	73 726 769	618 995 974	540 398 713	(78 597 261)	
Total Liabilities	1 176 792 903	82 584 147	1 259 377 050	1 786 935 910	527 558 860	
Net Assets	6 034 310 710	(446 339 740)	5 587 970 970	5 296 567 680	(291 403 290)	

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Reserves						
Social Responsibility Fund	-	-	-	28 514 391	28 514 391	
Accumulated surplus	6 034 310 710	(446 339 740)	5 587 970 970	5 268 053 289	(319 917 681)	
Total Net Assets	6 034 310 710	(446 339 740)	5 587 970 970	5 296 567 680	(291 403 290)	

Mogale City Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	576 921 582	(88 575 903)	488 345 679	563 272 028	74 926 349	
Services charges	1 663 380 104	(75 717 584)	1 587 662 520	1 688 116 630	100 454 110	
Other Revenue	244 037 078	73 554 047	317 591 125	-	(317 591 125)	
Government - Operating	434 121 495	14 631 073	448 752 568	659 140 763	210 388 195	
Government - capital	230 930 505	(20 427 889)	210 502 616	-	(210 502 616)	
Interest	52 504 816	(15 587 009)	36 917 807	49 260 430	12 342 623	
Dividend income	-	-	-	26 079	26 079	
	3 201 895 580	(112 123 265)	3 089 772 315	2 959 815 930	(129 956 385)	
Payments						
Suppliers and employee costs	(2 607 618 390)	(216 237 771)	(2 823 856 161)	(2 159 805 079)	664 051 082	
Finance costs	(50 423 081)	(2 787 423)	(53 210 504)	(49 378 336)	3 832 168	
Transfers and grants	(5 125 136)	-	(5 125 136)	-	5 125 136	
Other payments	-	-	-	(470 705 241)	(470 705 241)	
	(2 663 166 607)	(219 025 194)	(2 882 191 801)	(2 679 888 656)	202 303 145	
Net cash flows from operating activities	538 728 973	(331 148 459)	207 580 514	279 927 274	72 346 760	
Cash flows from investing activities						
Derecognition of property, plant and equipment	20 000 000	(20 000 000)	-	1 144 707	1 144 707	
Capital Assets	(343 330 505)	112 803 119	(230 527 386)	-	230 527 386	
Purchase of property, plant and equipment	-	-	-	(193 087 729)	(193 087 729)	
Derecognition of heritage assets	-	-	-	49 260	49 260	
Purchases of intangible assets	-	-	-	(65 200)	(65 200)	
Net cash flows from investing activities	(323 330 505)	92 803 119	(230 527 386)	(191 958 962)	38 568 424	
Cash flows from financing activities						
Short term loans	100 000 000	(100 000 000)	-	(34 809 261)	(34 809 261)	
Repayment of borrowing	(34 809 261)	-	(34 809 261)	-	34 809 261	
Finance lease receipts	-	-	-	(15 496 950)	(15 496 950)	
Net cash flows from financing activities	65 190 739	(100 000 000)	(34 809 261)	(50 306 211)	(15 496 950)	
Net increase/ decrease in cash held	280 589 207	(338 345 340)	(57 756 133)	37 662 101	95 418 234	
Cash/cash equivalents at the year begin	40 374 841	20 299 254	60 674 095	60 674 286	191	
Cash and cash equivalents at the end of the year	320 964 048	(318 046 086)	2 917 962	98 336 387	95 418 425	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	576 921 581	(15 604 709)	561 316 872	-		561 316 872	563 272 028		1 955 156	100 %	98 %
Service charges	1 663 380 104	161 519 344	1 824 899 448	-		1 824 899 448	1 638 650 416		(186 249 032)	90 %	99 %
Investment revenue	7 389 907	-	7 389 907	-		7 389 907	2 563 286		(4 826 621)	35 %	35 %
Transfers recognised - operational	434 121 495	14 631 070	448 752 565	-		448 752 565	443 813 580		(4 938 985)	99 %	102 %
Other own revenue	409 151 987	(122 504 804)	286 647 183	-		286 647 183	228 416 528		(58 230 655)	80 %	56 %
Total revenue (excluding capital transfers and contributions)	3 090 965 074	38 040 901	3 129 005 975	-		3 129 005 975	2 876 715 838		(252 290 137)	92 %	93 %
Employee costs	(809 949 061)	(55 326 787)	(865 275 848)	-	31 882 262	(833 393 586)	(833 393 586)	-	-	100 %	103 %
Remuneration of councillors	(36 040 000)	-	(36 040 000)	-	2 454 471	(33 585 529)	(33 585 529)	-	-	100 %	93 %
Debt impairment	(125 040 540)	(56 512 925)	(181 553 465)		(62 362 757)	(243 916 222)	(243 916 222)	-	-	100 %	195 %
Depreciation and asset impairment	(292 573 695)	(8 000 000)	(300 573 695)		51 843 544	(248 730 151)	(237 775 873)	-	10 954 278	96 %	81 %
Finance charges	(50 423 081)	(2 787 423)	(53 210 504)	-	3 832 168	(49 378 336)	(49 378 336)	-	-	100 %	98 %
Materials and bulk purchases	(1 067 727 403)	(12 777 820)	(1 080 505 223)	-	614 154	(1 079 891 069)	(1 079 891 069)	-	-	100 %	101 %
Transfers and grants	(5 125 136)	-	(5 125 136)	-	3 408 801	(1 716 335)	(1 700 867)	-	15 468	99 %	33 %
Other expenditure	(589 086 157)	5 711 662	(583 374 495)	-	(31 672 643)	(615 047 138)	(590 321 072)	-	24 726 066	96 %	100 %
Total expenditure	(2 975 965 073)	(129 693 293)	(3 105 658 366)	-	-	(3 105 658 366)	(3 069 962 554)	-	35 695 812	99 %	103 %
Surplus/(Deficit)	115 000 001	(91 652 392)	23 347 609	-		23 347 609	(193 246 716)		(216 594 325)	(828)%	(168)%

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	230 930 505	(20 427 889)	210 502 616	-		210 502 616	208 977 915		(1 524 701)	99 %	90 %
Surplus (Deficit) after capital transfers and contributions	345 930 506	(112 080 281)	233 850 225	-		233 850 225	15 731 199		(218 119 026)	7 %	5 %
Surplus/(Deficit) for the year	345 930 506	(112 080 281)	233 850 225	-		233 850 225	15 731 199		(218 119 026)	7 %	5 %
Capital expenditure and funds sources											
Total capital expenditure	343 330 505	(112 803 120)	230 527 385	-		230 527 385	225 412 649		(5 114 736)	98 %	66 %
Sources of capital funds											
Transfers recognised - capital	230 930 505	(20 427 889)	210 502 616	-		210 502 616	208 977 915		(1 524 701)	99 %	90 %
Internally generated funds	112 400 000	(92 375 231)	20 024 769	-		20 024 769	16 434 734		(3 590 035)	82 %	15 %
Total sources of capital funds	343 330 505	(112 803 120)	230 527 385	-		230 527 385	225 412 649		(5 114 736)	98 %	66 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	538 728 972	(331 148 460)	207 580 512	-		207 580 512	279 927 274		72 346 762	135 %	52 %
Net cash from (used) investing	(323 330 505)	92 803 119	(230 527 386)	-		(230 527 386)	(191 958 962)		38 568 424	83 %	59 %
Net cash from (used) financing	65 190 739	(99 999 999)	(34 809 260)	-		(34 809 260)	(50 306 211)		(15 496 951)	145 %	(77)%
Net increase/(decrease) in cash and cash equivalents	280 589 206	(338 345 340)	(57 756 134)	-		(57 756 134)	37 662 101		95 418 235	(65)%	13 %
Cash and cash equivalents at the beginning of the year	40 374 841	20 299 254	60 674 095	-		60 674 095	60 674 286		191	100 %	150 %
Cash and cash equivalents at year end	320 964 047	(318 046 086)	2 917 961	-		2 917 961	98 336 387		(95 418 426)	3 370 %	31 %

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Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 and 3 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of measurement

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

1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest rand.

1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

1.6 GRAP Standards effective for the current financial year

During the current financial year, the following newly effective standards were adopted in the preparation of the financial statements:

Amended Standards	Effective date	Expected impact:
GRAP 20 Related parties	1 April 2019	Material
GRAP 32 Service Concession Arrangements	1 April 2019	Material
iGRAP 17 Service Concession arrangements	1 April 2019	Material
GRAP 109 Accounting by Principals and Agents	1 April 2019	Material
GRAP 108 Statutory receivables	1 April 2019	Material
iGRAP 18 Recognition and derecognition of Land	1 April 2019	Material

1.7 Standards approved not yet effective

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 18 Segment reporting	Effective 1 April 2020	Material
GRAP 34 Separate Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 35 Consolidated Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 36 Investments in Associates and Joint Ventures	Not yet effective	Not material – not applicable to entity currently
GRAP 37 Joint Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 38 Disclosure of Interests in Other Entities	Not yet effective	Not material – not applicable to entity currently
GRAP 110 Living and Non-Living Resources	Effective 1 April 2020	Material – not applicable to entity currently

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Accounting Policies

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1.8 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements, as they are not applicable to the business operations of Mogale City.

GRAP 4 The effects of changes in foreign exchange rates

GRAP 6 Consolidated and separate financial instruments

GRAP 7 Investments in associates

GRAP 8 Interest in joint ventures

GRAP 10 Financial reporting in hyperinflationary economies

GRAP 11 Construction contracts

GRAP 27 Agriculture

GRAP 107 Mergers

GRAP 105 Transfer of functions between entities under common control

GRAP 106 Transfer of functions between entities not under common control

iGRAP 19 Liabilities to pay Levies

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We value the liability by using the Projected Unit Credit Method.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

Receivable accounts with a credit balance at reporting date;

Receivable accounts where the balance at reporting date is zero;

Receivable accounts where the Municipality is the owner;

Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

Accounts handed over to debt collectors for collection.

Accounts identified as section 118(3) historical debts.

Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the accountholder has a current repayment arrangement as at the reporting date.

All accounts indicated as in-active accounts on the system;

Accounts that have been formally presented to Council for write off.

Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

(continued)

considered to be past due date.

Accounts where the account holder is an approved indigent at reporting date.

Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.

Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgment.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The Municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment, heritage assets, intangible assets and investment property is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance and the carrying value is adjusted accordingly by the loss.

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

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation using an appropriate discounting rate, representing the time value of money and is carried at amortised cost.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts.

Variations between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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Accounting Policies

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1.13 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City 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.

2.3 Carrying Amount

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.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary 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.

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

The future cash inflows used to determine the asset's or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

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

2.6 Cost of inventories

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.

2.7 Current replacement cost

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

2.8 Depreciation (Amortisation)

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

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 Discount rate

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

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Accounting Policies

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2.11 Fair value

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

2.12 Impairment Loss

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).

2.13 Net realisable value

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.

2.14 Non-cash generating assets

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

At initial recognition the Municipality shall designate:

- An asset as non cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

2.16 Recoverable amount

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

2.17 Recoverable service amount

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

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

Cash-generating units are those 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.

2.20 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential.

The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale

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(continued)

City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset.

Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, 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. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentization of assets is based on part of an asset significant cost in relation to the total cost.

3.1.3 Subsequent expenditure

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

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.

3.1.4 Derecognition of items of property, plant and equipment

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. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City 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.

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Accounting Policies

(continued)

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis. As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Type	Component Type	Estimated Useful Life	
Building	Air conditioning	20	
	Electrical installation	30	
	Finishes, fixtures & fittings	15	
	Fire protection	20	
	Floor	50	
	Lifts	10	
	Plumbing	20	
	Roof	40	
	Security system	20	
	Walls	30-60	
Civil Structure	Carpports	7	
	Earth Structure	50	
	Erosion Protection	50	
	Filter media	10	
	Leachate drainage system	50	
	Lining - landfill	50	
	Masonry structure	30	
	RC Structure	50-80	
	Retaining wall	60	
	Well	30	
Communal sanitation	Septic Tank	40	
	Channel	5	
Drainage	Culvert	60	
	Grid Inlet	30	
	Kerb	20	
	Kerb Inlet	20	
	Sub-soil drain	60	
	Earthworks	Earthworks	100
		Landfill restoration	20-40
Electrical equipment	Control Cable	50	
	Isolator	30	
	MV Cable	50	
	Telemetry	15	
External facilities	Bin / Container	10	
	External furniture	20	
	External lighting	30	
	Irrigation	10	
	Landscaping	30	
	Perimeter Protection	8-30	

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	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100

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Pipe work	Communal standpipe - Pedestal	10	
	Hydrant	20	
	Pipe - sewer	40	
	Pipe - stormwater	50	
	Pipe - water	40	
	Valve	20	
Public Lighting	High mast	45	
	Street Light	45	
Road Bridge	Road bridge sub-structure	100	
	Road bridge super-structure	100	
Road Furniture	Advertisement Signs	7	
	Billboards	7	
	Cat eyes	3	
	Commuter shelter	15	
	Footpath / Paving	20	
	Mini round-about	20	
	Road marking: Guidance	5	
	Road marking: Regulatory	5	
	Road marking: Warning	5	
	Sign - general	20	
	Sign - regulatory	7	
	Speed hump	20	
	Street rubbish bin	10-30	
	Street sign	20	
	Traffic island	20	
	Traffic signal	15	
	Service connection on site	LV Overhead Line	45
		Pipe - sewer (incl manholes)	40-60
	Sports facilities	Bowling green	20
Sports field		15-50	
Stadium		50	
Swimming pool		20	
Tennis court		15	
Moveable assets	Office Equipment	3-10	
	Furniture and Fittings	7-10	
	Motor Vehicles	3-20	
	Plant and Equipment	2-15	
	Emergency Equipment	5-15	
	Bins and containers	5-10	
	Books	5-10	
	Animals	20-80	

3.2 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in net surplus or deficit when it becomes receivable.

3.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

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

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset. Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit. The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

3.5 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition 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.

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

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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.

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. An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

3.6 Receivables (Exchange and non Exchange transactions)

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.7 Statutory receivables (Exchange and non Exchange transactions)

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

Mogale City 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.

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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.

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 are 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.

3.8 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against

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cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.9 Trade and other payables

3.9.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.9.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.10 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.10.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.10.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.10.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.10.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.10.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.10.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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3.10.7 Classification

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

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from non-exchange transactions	Financial assets measured at amortised costs
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

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

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

3.11 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

3.12 Impairment of non-cash generating assets

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

3.12.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the 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 the Statement of Financial Performance.

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

3.12.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

3.12.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.12.4 Depreciation/Amortisation

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

3.12.5 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.

3.13 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

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

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

3.13.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.13.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is 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.

3.13.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.13.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

3.14 Employee benefits

3.14.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.14.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

3.14.3 Retirement benefits

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

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Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.14.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.14.5 Other long-term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.15 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.16 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

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3.17 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.18 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.19 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a monthly basis.

3.20 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.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-

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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.

3.21 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service. Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.21.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, 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 Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity 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 entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services)

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period. Residential sanitations service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff.

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Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

Prepaid water and electricity

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.21.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines. Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.22 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over

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the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.23 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.24 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); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.26 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 ventures).

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

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perform such functions.

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

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.

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed.

All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.27 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.28 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.29 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.30 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

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The municipality discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

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Figures in Rand	2020	2019
2. Inventories		
Consumable stores	9 283 199	11 721 594
Water for distribution	498 474	525 383
Unsold Properties Held for Resale	7 246 306	7 246 306
	17 027 979	19 493 283

During the year under review inventory to the amount of R65 884 was written off due to robbery and theft. The shortages as a result of the robbery are still under investigation by the South African Police Service (SAPS).

No portion of inventory was pledged as security. Inventory is recognised at cost.

3. Receivables from non-exchange transactions

	2020			2019		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Statutory receivables: Property rates	470 272 718	(375 608 318)	94 664 400	353 606 234	(298 659 283)	54 946 951
Statutory receivables: Traffic fines and SARS	81 389 060	(57 880 487)	23 508 573	59 992 941	(36 164 430)	23 828 511
Credit balances transferred to payables from non exchange transactions	80 670 714	-	80 670 714	75 666 166	-	75 666 166
	632 332 492	(433 488 805)	198 843 687	489 265 341	(334 823 713)	154 441 628

Age Analysis (Statutory receivables: Property rates)

Current (0 - 30 days)	6 267 040	(37 766 262)
31 - 60 days	12 601 672	12 658 918
61 - 90 days	15 066 007	10 693 116
91 - 120 days	12 347 870	11 280 868
+ 120 days	423 990 129	356 739 594
	470 272 718	353 606 234

Age Analysis (statutory receivables: traffic fines)

Current (0 - 30 days)	51 189 311	30 553 531
91 - 120 days	7 441 783	8 482 479
+ 120 days	22 757 966	20 956 931
	81 389 060	59 992 941

Credit balance transferred to creditors

Current (0 - 30 days)	6 107 157	5 268 248
31 - 60 days	1 875 690	3 486 399
61 - 90 days	1 578 468	2 049 490
91 - 120 days	2 066 042	1 376 029
+ 120 days	69 043 357	63 486 000
	80 670 714	75 666 166

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions past due date but not impaired

Statutory : Rates	40 590 872	28 508 454
Statutory Receivables: Traffic Fines and SARS	23 508 573	23 828 511

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Figures in Rand	2020	2019
3. Receivables from non-exchange transactions (continued)		
	64 099 445	52 336 965
Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	334 823 713	352 804 129
Current year contribution	116 439 678	92 863 861
Bad debts	(17 774 586)	(110 844 277)
	433 488 805	334 823 713

As at 30 June 2020, total receivables from non exchange transactions were R 632 332 492 (2019: R 489 265 341).

The amount of the provision for impairment was R 433 488 805 as at 30 June 2020 (2019: R 334 823 713).The percentage of the provision against total receivables from non exchange transactions was 68.55 % as at 30 June 2020 (2019: 68.43 %).

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Figures in Rand

2020

2019

4. Receivables from exchange transactions

Receivables per category	2020			2019		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	184 550 287	(147 400 902)	37 149 385	154 995 864	(130 911 022)	24 084 842
Water	247 850 593	(197 959 059)	49 891 534	206 370 442	(174 302 493)	32 067 949
Sundry debtors and loans	77 967 965	(55 143 089)	22 824 876	81 578 638	(51 293 467)	30 285 171
Sewerage	271 500 852	(216 848 596)	54 652 256	225 236 094	(190 236 607)	34 999 487
Refuse	268 313 765	(214 303 059)	54 010 706	221 835 649	(186 905 147)	34 930 502
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	459 949 165	(367 362 864)	92 586 301	434 862 869	(367 220 519)	67 642 350
Subtotal	1 510 132 627	(1 199 017 569)	311 115 058	1 324 879 556	(1 100 869 255)	224 010 301
Sundry staff leave, Personal interim advances & Insurance	291 338	-	291 338	363 922	-	363 922
Credit balances transfered to payables from exchange transactions	8 731 937	-	8 731 937	7 370 698	-	7 370 698
	9 023 275	-	9 023 275	7 734 620	-	7 734 620
	1 519 155 902	(1 199 017 569)	320 138 333	1 332 614 176	(1 100 869 255)	231 744 921

Electricity

Current (0 -30 days)	54 053 100	61 889 466
31 - 60 days	15 042 061	9 094 867
61 - 90 days	5 758 771	4 266 468
91 - 120 days	9 098 553	4 283 322
121 - 365 days	100 597 802	75 461 741
	184 550 287	154 995 864

Water

Current (0 -30 days)	13 309 758	19 155 525
31 - 60 days	15 012 260	8 559 358
61 - 90 days	7 037 822	3 723 823
91 - 120 days	6 847 831	3 142 903
121 - 365 days	205 642 923	171 788 833
	247 850 594	206 370 442

Sewerage

Current (0 -30 days)	11 293 024	13 868 294
31 - 60 days	5 234 350	9 125 088
61 - 90 days	6 200 060	6 185 872
91 - 120 days	9 702 940	4 821 707
121 - 365 days	239 070 479	191 235 133
	271 500 853	225 236 094

Refuse

Current (0 -30 days)	7 373 110	8 344 002
31 - 60 days	5 252 083	4 027 977
61 - 90 days	4 501 642	3 554 364
91 - 120 days	4 005 383	3 247 713
121 - 365 days	247 181 546	202 661 593
	268 313 764	221 835 649

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4. Receivables from exchange transactions (continued)		
Sundry Debtors and Loans		
Current (0 -30 days)	28 052 700	34 618 931
31 - 60 days	409 286	538 037
61 - 90 days	225 337	283 343
91 - 120 days	380 073	85 172
121 - 365 days	48 900 570	46 053 155
	77 967 966	81 578 638

Other (Including Statutory Receivables)		
Current (0 -30 days)	13 153 525	25 543 756
31 - 60 days	8 131 278	12 342 568
61 - 90 days	4 926 515	11 559 315
91 - 120 days	6 296 274	12 517 596
121 - 365 days	427 441 573	372 899 634
	459 949 165	434 862 869

Receivables from exchange transactions as at 30 June 2020, were R 1 519 155 902 (2019: R 1 332 614 176).

The provision for impairment was R 1 199 017 569 as at 30 June 2020 (2019: R 1 100 869 255). The percentage of the provision against total receivables from exchange transactions was 78.93 % as at 30 June 2020 (2019: 82.61 %)

Receivables from exchange transactions past due but not impaired:		
Electricity	15 929 176	12 496 082
Water	21 392 846	16 638 005
Sewerage	23 434 182	18 158 992
Refuse	23 159 093	17 840 988
Other	58 559 032	35 052 951
Sundry debtors and loans	122 011	232 113
	142 596 340	100 419 131

Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of allowance for impairment		
Balance at beginning of the year	1 100 869 257	965 065 908
Contributions to provision	113 709 884	171 622 986
Bad debts	(15 561 572)	(35 819 637)
	1 199 017 569	1 100 869 257

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29 227	27 227
Bank balances	87 899 894	43 182 580
Short-term deposits	10 407 266	17 464 479
	98 336 387	60 674 286

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5. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for south African Post Office Guarantee held at Standard Bank call account no : 728430118-001 has been binded as guarantor to South African Post Office for payment of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000 500 000 500 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Standard Bank - 021307482	12 528 279	988 743	715 096	12 529 044	989 675	715 934
Standard Bank - 021307474	5 504 336	5 049 923	1 399 851	5 504 336	5 050 000	1 399 851
Standard Bank - 021307385	5 504 336	5 049 923	2 137 790	5 504 416	5 050 000	2 137 790
Standard Bank - 021307172	993 550	382 317	333 189	975 399	382 394	333 268
Standard Bank - 021307105	10 208 813	3 098 784	2 794 413	10 427 701	3 099 347	2 794 689
Standard Bank - 021306958	4 286 619	3 095 905	1 718 407	3 968 393	2 762 101	1 468 506
Standard Bank - 021306532	47 308 957	24 297 409	21 742 565	47 301 292	24 299 063	21 742 800
Standard Bank - 021457654	1 689 133	1 549 828	160 867	1 689 313	1 550 000	160 867
Call Accounts	10 407 266	17 464 479	9 582 348	10 407 266	17 464 479	9 582 348
Petty Cash	29 227	27 227	38 788	29 227	27 227	38 788
Total	98 460 516	61 004 538	40 623 314	98 336 387	60 674 286	40 374 841

2020

The differences between bank statement balances and cash book balances amounting to R 124 129 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of June, in line with proper accounting procedures. Transactions attributing to the above difference of R124 129 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

2019

The differences between bank statement balances and cash book balances amounting to R 330 252 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

In this case, these have been mainly attributed to bank charges and deposits going through the Cash Center after cut-off hours (via Cash In Transit companies) and such still captured after the cut-off time of 20:00hrs pm and therefore would not reflect on the same day's statement immediately.

6. Operating lease asset and liability

Current assets	96 044	121 517
Current liabilities	(256 093)	(245 808)
	(160 049)	(124 291)

Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are recognised to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

7. VAT receivable/(payable) (SARS)

VAT receivable	22 549 231	35 736 584
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7. VAT receivable/(payable) (SARS) (continued)

In line with the accrual basis of accounting, Output VAT is recognised when the Revenue to which it relates is raised on the municipality's accounting records and Input VAT is also recognised when the related Expenditure is accounted for. The Municipality is however on the cash or payment basis for VAT purposes which means that the municipality is only required to declare Output VAT to SARS when payment is actually received and Input VAT is claimable from SARS when payment is made. The above net VAT receivable is thus contingent upon the receipt of the payment from the debtors and payment to suppliers. All VAT Returns are being submitted to SARS on a monthly basis.

Reconciliation of VAT

Input VAT	89 602 499	61 046 834
Output VAT	(67 053 268)	(25 310 250)
	22 549 231	35 736 584

8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	704 209 638	-	704 209 638	663 918 453	-	663 918 453

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	663 918 453	40 291 185	704 209 638

Reconciliation of investment property - 2019

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	651 999 022	(7 672 400)	19 591 831	663 918 453

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9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 923 172	-	37 923 172	37 923 172	-	37 923 172
Buildings	557 752 436	(370 260 210)	187 492 226	553 782 722	(362 231 752)	191 550 970
Other Assets	149 192 840	(115 595 712)	33 597 128	144 544 707	(104 913 808)	39 630 899
Infrastructure Assets	9 472 546 806	(5 105 294 620)	4 367 252 186	9 370 038 761	(4 933 137 133)	4 436 901 628
Community	1 573 591 093	(516 455 144)	1 057 135 949	1 494 987 260	(493 604 213)	1 001 383 047
Leased Assets	212 450 926	(179 855 895)	32 595 031	210 745 900	(157 368 201)	53 377 699
Animal PPE	6 234 043	(4 294 504)	1 939 539	5 725 772	(4 208 618)	1 517 154
Total	12 009 691 316	(6 291 756 085)	5 717 935 231	11 817 748 294	(6 055 463 725)	5 762 284 569

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions (Capitalized costs)	Derecognition	Depreciation	Impairment loss	Total
Land	37 923 172	-	-	-	-	37 923 172
Buildings	191 550 970	3 972 829	(3 116)	(8 028 457)	-	187 492 226
Other Assets	39 630 899	4 661 510	(13 377)	(10 681 904)	-	33 597 128
Infrastructure Assets	4 436 901 628	103 443 015	(934 971)	(172 157 486)	-	4 367 252 186
Community	1 001 383 047	78 630 613	(26 778)	(22 359 957)	(490 976)	1 057 135 949
Leased Assets	53 377 699	1 705 027	-	(22 487 695)	-	32 595 031
Animals PPE	1 517 154	674 735	(166 465)	(85 885)	-	1 939 539
	5 762 284 569	193 087 729	(1 144 707)	(235 801 384)	(490 976)	5 717 935 231

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9. Property, plant and equipment (continued)

Included in the additions are Work In Progress expenditure incurred during the current financial year amounting to R 134 048 837. Additions to Animals amounted to R 674 736 and Leased Assets amounted to R 1 705 062.

Repairs and maintenance

All repairs and maintenance for the 2020 financial year amounting to R 272 465 688 were incurred in respect of property, plant and equipment.

Repairs and maintenance per asset class - 2020

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	87 356 567	106 585 457	1 048 452	9 317 720	204 308 196
Community Assets	46 122 309	4 221 808	222 735	873 711	51 440 563
Other Assets	10 649 770	4 200 428	4 858	1 861 873	16 716 929
	144 128 646	115 007 693	1 276 045	12 053 304	272 465 688

Repairs and maintenance per asset class - 2019

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	90 235 139	126 679 126	950 258	22 349 821	240 214 344
Community Assets	51 768 646	5 037 052	492 037	2 168 550	59 466 285
Other Assets	11 148 659	4 177 631	-	115 601	15 441 891
	153 152 444	135 893 809	1 442 295	24 633 972	315 122 520

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions (Capitalized costs)	Derecognition	Depreciation	Impairment loss	Impairment reversal	Total
Land	35 780 772	2 142 400	-	-	-	-	37 923 172
Buildings	194 765 653	5 242 639	(54 286)	(8 403 036)	-	-	191 550 970
Other Assets	51 546 039	5 204 339	(4 762 661)	(9 161 818)	(3 195 000)	-	39 630 899
Infrastructure Assets	4 379 141 974	253 794 839	(4 708 943)	(168 656 703)	(22 842 745)	173 206	4 436 901 628
Community	922 410 611	116 185 687	(2 816 709)	(29 768 169)	(5 546 714)	918 341	1 001 383 047
Leased assets	12 926 679	63 323 679	-	(22 872 659)	-	-	53 377 699
Animals PPE	1 842 208	130 442	(365 432)	(90 064)	-	-	1 517 154
	5 598 413 936	446 024 025	(12 708 031)	(238 952 449)	(31 584 459)	1 091 547	5 762 284 569

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9. Property, plant and equipment (continued)

Included in the above property, plant and equipment are the following capital WIP amounts

WIP Accounts

Capital WIP - Building Property	4 169 132	196 302
Capital WIP - Community	408 990 660	351 555 600
Capital WIP - Infrastructure Assets	239 454 760	179 591 112
Capital WIP - Other Assets	767 510	623 956
	653 382 062	531 966 970

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.

Work in progress with no movement

Asset Class	Capital Cost Opening	Capital Cost Year	Closing Cost
Community Assets	133 482 213	-	133 482 213
Infrastructure Assets			
Electricity Network	28 736 148	-	28 736 148
Sanitation Network	1 976 808	-	1 976 808
Water Supply Network	9 113 552	-	9 113 552
	173 308 721	-	173 308 721

Community Assets

The projects with no movement include the following: Kagiso Ext 13 housing development and Munsieville industrial park. There was no movement due to the unavailability of funds and also complications regarding the completion and closing of some projects (incomplete snag lists).

Infrastructure Assets

Electricity Assets

The projects with no movement under electricity network relate to professional fees and also due to projects being put on hold as a result of budget constraints.

Sanitation Network

The projects under sanitation include Lindley WWTW project. There was no movement for the project listed under this class due to the lack of funds.

Water Supply Network

The projects with no movement include the following but not limited to: Pongoville extension of bulk pipeline, Construction of water pipeline Magaliesburg. Projects were put on hold due to budget constraints.

10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	35 201 418	(33 855 092)	1 346 326	35 136 219	(32 371 581)	2 764 638

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10. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Additions (Capitalized costs)	Amortisation	Total
Computer software	2 764 638	65 200	(1 483 512)	1 346 326

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Derecognition	Impairment loss	Total
Computer software	5 017 230	(1 760 620)	(92 068)	(399 904)	2 764 638

11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 445 480	-	2 445 480	2 494 740	-	2 494 740

Reconciliation of heritage assets 2020

	Opening balance	Derecognition	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 494 740	(49 260)	2 445 480

Reconciliation of heritage assets 2019

	Opening balance	WIP Transfer (In/Out)	Total
Library books, Chief Mogale Statue & Concentration camp graves	2 466 040	28 700	2 494 740

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12. Financial assets		
Residual interest at cost		
Listed shares	575 254	762 842
Listed shares (9760 interest in ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R58.94 (2019: R78.16) per share (level 1)		
Non-current assets		
Residual interest at cost	575 254	762 842
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Listed shares (9670 interest in ordinary shares)	575 254	762 842
13. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid fund	(157 753 595)	(183 455 583)
Long service awards	(61 954 061)	(68 067 106)
Ex-gratia benefits	(657 469)	(753 362)
	(220 365 125)	(252 276 051)
Non-current liabilities	(202 043 939)	(239 055 805)
Current liabilities	(18 321 186)	(13 220 246)
	(220 365 125)	(252 276 051)
The employee benefit obligations was calculated by ARCH Actuarial Consulting for 2018/19 and 2019/20 was calculated by One Pangaea Expertise and Solutions from employee information compiled and submitted by the municipality.		
Changes in the present value of the defined benefit obligation are as follows: Medical aid subsidy		
Opening balance	183 455 583	183 014 219
Net expense recognised in the statement of financial performance	(25 701 988)	441 364
	157 753 595	183 455 583
Changes in the present value of the defined benefit obligation are as follows: Long service award		
Opening balance	68 067 106	61 963 292
Net expense recognised in the statement of financial performance	(6 113 045)	6 103 814

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13. Employee benefit obligations (continued)

61 954 061 68 067 106

Changes in the present value of the defined benefit obligation are as follows: Ex-gratia benefits

Opening balance	753 362	678 834
Net expense recognised in the statement of financial performance	(95 893)	74 528
	657 469	753 362

Net expense recognised in the statement of financial performance: Medical aid subsidy

Current service cost	7 352 454	8 016 932
Past service cost	(6 542 977)	(5 880 499)
Interest cost	16 963 250	17 297 389
Actuarial (gains) losses	(43 474 715)	(18 992 458)
	(25 701 988)	441 364

Net expense recognised in the statement of financial performance: Long service award

Current service cost	5 674 293	4 898 846
Past service cost	(8 453 373)	(8 448 666)
Interest cost	5 254 845	4 967 570
Actuarial (gains) losses	(8 588 810)	4 686 064
	(6 113 045)	6 103 814

Net expense recognised in the statement of financial performance: Ex-gratia benefits

Past service cost	(150 664)	(80 152)
Interest cost	37 379	53 916
Actuarial (gains) losses	17 392	100 764
	(95 893)	74 528

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	13.45 %	9.41 %
Health care cost inflation	9.16 %	6.88 %
Net discount rate	3.93 %	2.37 %

The basis used to determine the discount rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 14.56 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 13.45% per annum, and the yield on the inflation linked bonds of a similar term was about 4.91% per annum, implying an underlying expectation of inflation of 7.66% per annum $([1 + 13.45\% - 0.50\%] / [1 + 4.91\%] - 1)$.

Health Care Cost Inflation Rate

A healthcare cost inflation rate of 9.16% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. Thus an assumed net discount factor of 3.93% per annum $([1 + 13.45\%] / [1 + 9.16\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

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13. Employee benefit obligations (continued)

Sensitivity Analysis

The effect of a one percent increase and decrease in the medical inflation and discount rates is as follows

Medical inflation and discount rate	1% decrease R	30 June 2020 Valuation basis R	1% increase R
Medical Inflation Rate			
Employer's accrued liability	140 531 669	157 753 595	178 264 497
Employer's service cost (year following)	6 806 745	8 020 985	9 523 888
Employer's interest cost (year following)	18 443 944	20 758 151	23 514 735
Discount Rate			
Employer's accrued liability	176 814 879	157 753 595	141 869 696
Employer's service cost (year following)	9 352 866	8 020 985	6 943 668
Employer's interest cost (year following)	21 587 924	20 758 151	20 006 284

As per the table above, a 1% increase in the medical inflation rate results in a 13.00% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in an 10.92% decrease in the accrued liability. Inversely, a 1% increase in the discount rate results in a 10.07% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 12.08% increase in the accrued liability.

The table below shows the impact of reducing the average retirement age by one (1) year.

Average retirement age	30 June 2020 Valuation basis R	Ave. Ret. Age 1 year R
Employer's accrued liability	157 753 595	167 727 062
Employer's service cost (year following)	8 020 985	8 424 390
Employer's interest cost (year following)	20 758 151	22 099 582

Therefore, the above change of lowering the average retirement age by one (1) year results in an 6.32% increase in the accrued liability.

The table below shows the impact of a change in the mortality assumption with a one year adjustment.

Mortality	30 June 2020 Valuation basis R	PA (90) -1 R
Employer's accrued liability	157 753 595	161 412 722
Employer's service cost (year following)	8 020 985	8 163 164
Employer's interest cost (year following)	20 758 151	21 249 402

Therefore, the above change in the mortality assumption would result in a 2.32% increase in the accrued liability.

The table below shows the impact of reducing the continuation, of medical aid, rate at retirement by ten percent (10%).

Continuation of Medical Aid at retirement	30 June 2020 Valuation basis R	Continuation Rate -10% R
Employer's accrued liability	157 753 595	148 346 224
Employer's service cost (year following)	8 020 985	7 218 887
Employer's interest cost (year following)	20 758 151	19 492 860

Therefore, the above change of lowering the continuation, of medical aid, rate at retirement from 85% to 75% results in an 5.96% reduction in the accrued liability.

Key assumptions used: Long service award

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13. Employee benefit obligations (continued)

Assumptions used at the reporting date:

Discount rates used	7.82 %	8.08 %
Salary increase rate	3.86 %	5.51 %
Net discount rate	3.81 %	2.44 %

The basis used to determine the discount rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 5.85 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 7.82% per annum, and the yield on inflation-linked bonds of a similar term was about 4.34% per annum. This implies an underlying expectation of inflation of 2.86% per annum $([1 + 7.82\% - 0.5\%] / [1 + 4.34\%] - 1)$.

The actuaries have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 3.86% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Thus assumed a net discount factor of 3.81% per annum $([1 + 7.82\%] / [1 + 3.86\%] - 1)$.

Sensitivity Results

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.81% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

Salary increase and discount rate	1% decrease R	30 June 2020 Valuation basis R	1% increase R
Salary increase rate			
Employer's accrued liability	58 655 443	61 954 061	65 562 907
Employer's current service cost	4 200 934	4 484 406	4 798 555
Employer's interest cost	4 148 474	4 406 430	4 688 641
Discount rate			
Employer's accrued liability	65 458 395	61 954 061	58 799 542
Employer's current service cost	4 789 400	4 484 406	4 213 242
Employer's interest cost	4 079 971	4 406 430	4 694 194

As per the table above, a 1% increase in the salary increase rate results in a 5.83% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.32% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 5.09% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 5.66% increase in the accrued liability.

The table that follows shows the impact of a change in the withdrawal assumption as detailed in assumptions Section 4.2. The effect is illustrated by assuming that withdrawals are 50% lower than assumed.

Withdrawal Decrement	30 June 2020 Valuation basis R	50% decrease R
Employer's accrued liability	61 954 061	68 583 273
Employer's current service cost	4 484 406	5 149 409
Employer's expense cost	4 406 430	4 920 107

In the table below we highlight the effect of adjusting the average retirement age by two (2) years upwards and downwards from 62 years.

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13. Employee benefit obligations (continued)

Average Retirement Age	2 year decrease R	30 June 2020 Valuation basis R	2 year increase R
Employer's accrued liability	54 425 035	61 954 061	69 340 783
Employer's current service cost	4 071 951	4 484 406	4 899 419
Employer's interest cost	3 851 943	4 406 430	4 967 866

The above table highlights the effects of a two (2) year decrease and increase in the average retirement age assumptions as at 30 June 2020. The adjustment would result in a 11.92% increase and 12.15% decrease in the accrued liability respectively.

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	4.67 %	7.47 %
Lumpsum increase rate	2.59 %	5.33 %
Net discount rate	2.03 %	2.03 %

The basis used to determine the discount rate

The methodology for setting financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 0.83 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 4.67% per annum, and the yield on the inflation-linked bonds of a similar term was about 2.54% per annum, implying an underlying expectation of inflation of 1.59% per annum ($[1 + 4.67\% - 0.5\%] / [1 + 2.54\%] - 1$). The lumpsum increase was assumed to equal the long term CPI rate plus 1.00%.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.03% per annum ($[1 + 4.67\%] / [1 + 2.59\%] - 1$).

Sensitivity Analysis

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 2.03% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

Salary Increase and discount rate	1% decrease R	30 June 2020 Valuation basis R	1% increase R
Salary Increase rate			
Employer's accrued liability	655 202	657 469	659 784
Employers Interest cost	24 208	24 314	24 422
Discount Rate			
Employer's accrued liability	659 760	657 469	655 267
Employer's interest cost	24 421	24 314	24 211

As per the table above, a 1% increase in the salary increase rate results in a 0.35% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 0.34% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 0.33% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 0.35% increase in the accrued liability.

In the table below we highlight the effect of adjusting the average retirement age by one (1) year downwards from 62 years.

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13. Employee benefit obligations (continued)		
Average Retirement Age	30 June 2020 Valuation basis R	1 year decrease R
Employer's accrued liability	657 469	663 503
Employer's expense cost	24 314	24 595

The above table highlights the effects of a one (1) decrease in the average retirement age assumption as at 30 June 2020. The adjustment would result in a 0.92% in the accrued liability respectively.

14. Finance lease obligation

Minimum lease payments due		
- within one year	30 934 895	30 413 666
- in second to fifth year inclusive	15 390 618	44 249 130
- later than five years	1 604 231	1 743 927
	47 929 744	76 406 723
less: future finance charges	(12 025 045)	(25 005 074)
Present value of minimum lease payments	35 904 699	51 401 649
Present value of minimum lease payments due		
- within one year	22 008 858	16 772 867
- in second to fifth year inclusive	12 955 882	33 677 050
- later than five years	939 959	951 732
	35 904 699	51 401 649
Non-current liabilities	13 895 841	34 628 782
Current liabilities	22 008 858	16 772 867
	35 904 699	51 401 649

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2020	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	138 098	-	(10 188)	127 910
Vehicles	51 718 450	1 705 027	(21 608 277)	31 815 200
Equipment	1 521 152	-	(869 230)	651 922
	53 377 700	1 705 027	(22 487 695)	32 595 032

Assets acquired through finance leases - 2019	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	148 286	-	(10 188)	138 098
Vehicles	10 388 012	63 323 679	(21 993 241)	51 718 450
Equipment	2 390 382	-	(869 230)	1 521 152
	12 926 680	63 323 679	(22 872 659)	53 377 700

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15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Integrated Urban Development Grant (IUDG)	4 978 731	-
West Rand District Municipality (WRDM)	759 366	-
Performance Management Grant (PMG)	750 000	-
Neighbourhood Development Partnership Grant (NDPG)	-	109 926
Water Services Infrastructure Grant (WSIG)	-	20 860
Department of Sports, Arts, Culture and Recreation (SRAC)	-	6 452
Integrated National Electrification Programme (INEP)	-	1 591
	6 488 097	138 829

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 30 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Luipaardsvlei Landfill site rehabilitation	72 327 595	-	-	2 940 750	75 268 345
Magalies Landfill Site rehabilitation	6 543 357	-	-	5 123 384	11 666 741
Provision for performance bonuses	6 231 356	2 128 255	(2 495 044)	-	5 864 567
	85 102 308	2 128 255	(2 495 044)	8 064 134	92 799 653

Reconciliation of provisions - 2019

	Opening Balance	Additions	Change in discount factor	Total
Luipaardsvlei Landfill site rehabilitation	67 789 114	-	4 538 481	72 327 595
Magalies Landfill Site rehabilitation	6 132 768	-	410 589	6 543 357
Provision for performance bonuses	4 660 371	1 570 985	-	6 231 356
	78 582 253	1 570 985	4 949 070	85 102 308
Non-current liabilities			75 268 345	72 327 595
Current liabilities			17 531 308	12 774 713
			92 799 653	85 102 308

In terms of the review performed by MCZ Professionals provision required for restoration of the existing landfill sites is as follows:

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16. Provisions (continued)

1. The Luipaardsvlei Landfill Site has 2 years remaining life of landfill site. The estimated year of site closure is 2021/22. It is assumed that the closure and rehabilitation of the existing cells will coincide with the development of the northern cell, which is anticipated to be completed in 2022.

2. The Magaliesburg Landfill Site has no remaining life of landfill site. The estimated year of site closure was 2017/18. The estimated time between site closure and commencement of rehabilitation work is 2 years. The estimated start of rehabilitation work is 01 July 2020.

3. Based on the above, the provisions at 30 June 2020 are as follows:

	2020	2019
a. Luipaardsvlei Landfill Site	R75 268 345	R72 327 595
b. Magalies Landfill Site	R11 666 741	R6 543 357
Total Provision	R86 935 086	R78 870 952

17. Payables from non-exchange transactions

Grants transferred to payables from non-exchange transactions	960 798	960 872
Credit balance transferred from receivables from non-exchange transactions	80 670 714	75 666 166
	81 631 512	76 627 038

18. Payables from exchange transactions

Trade payables	742 538 967	603 720 860
Credit balance transferred from receivables from exchange transactions	8 731 937	7 370 698
Current lease liability	10 955 556	11 922 222
Unpresented payments	62 285 766	25 433 480
Third party payments	928 283	768 720
Unknown Deposits	21 232 179	30 086 432
Retention	35 561 981	38 433 267
Overtime accrual	5 227 523	3 342 715
Leave accrual	83 652 900	66 218 891
Bonus accrual	15 976 534	15 084 666
Salary accrual	3 763 191	204 567
	990 854 817	802 586 518

For the current financial year the cash flow constraints that the municipality experienced over the past years was aggravated by a decrease in revenue collection mainly due to the COVID-19 lockdown.

Furthermore the electricity bulk purchases bill increased in one month by R42 million from R50 million in May to R92 million in June whilst business were in total lockdown and consumption had decreased as could be seen from our billing information. As a result of the cash flow constraints the municipality had not been able to meet creditors obligation in line with section 65 (2) (e) of MFMA.

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19. Financial liabilities		
At amortised cost		
ABSA An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. This loan will be fully paid on 2 August 2021.	8 621 799	16 347 163
NEDBANK An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.	125 166 046	136 153 408
L239DBSA2029 An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years.	151 575 713	167 672 249
Financial liabilities	285 363 558	320 172 820
2020		
During the year under review Mogale City did not source loan financing.		
2019		
During this financial year, Mogale City did not source loan financing.		
Non-current liabilities		
At amortised cost	249 190 588	285 363 559
Current liabilities		
At amortised cost	36 172 971	34 809 261
20. Sundry deposits		
Sundry deposits	12 244 629	11 996 801
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
21. Consumer deposits and guarantees		
Electricity	33 140 389	38 284 096
Water	27 887 337	19 411 957
	61 027 726	57 696 053

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Figures in Rand	2020	2019	
22. Financial instruments disclosure			
Categories of financial instruments			
2020			
Financial assets			
	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	198 843 687	198 843 687
Receivables from exchange transactions (refer to note 4)	-	320 138 333	320 138 333
Cash and cash equivalents (refer to note 5)	-	87 929 121	87 929 121
Call accounts money market accounts (refer to note 5)	-	10 407 266	10 407 266
Financial assets (refer to note 12)	575 254	-	575 254
	575 254	617 318 407	617 893 661
Financial liabilities			
		At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)		35 904 699	35 904 699
Payables from non-exchange transactions (refer to note 17)		81 631 512	81 631 512
Payables from exchange transactions (refer to note 18)		990 854 817	990 854 817
Current financial liabilities (refer to note 19)		36 172 971	36 172 971
Non-Current financial liabilities (refer to note 19)		249 190 588	249 190 588
Sundry deposits (refer to note 20)		12 244 629	12 244 629
Consumer deposits (refer to note 21)		61 027 726	61 027 726
		1 467 026 942	1 467 026 942
2019			
Financial assets			
	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	154 441 628	154 441 628
Receivables from exchange transactions (refer to note 4)	-	231 744 921	231 744 921
Cash and cash equivalents (refer to note 5)	-	43 209 807	43 209 807
Call accounts money market accounts (refer to note 5)	-	17 464 479	17 464 479
Financial assets (refer to note 12)	762 842	-	762 842
	762 842	446 860 835	447 623 677
Financial liabilities			
		At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)		51 401 649	51 401 649
Payables from non-exchange transactions (refer to note 17)		76 627 038	76 627 038
Payables from exchange transactions (refer to note 18)		802 586 518	802 586 518
Current financial liabilities (refer to note 19)		34 809 261	34 809 261
Non-Current financial liabilities (refer to note 19)		285 363 559	285 363 559
Sundry deposits (refer to note 20)		11 996 801	11 996 801
Consumer deposits (refer to note 21)		57 696 053	57 696 053
		1 320 480 879	1 320 480 879

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Figures in Rand	2020	2019
23. Service charges		
Sale of electricity	951 331 437	899 148 749
Sale of water	379 479 341	306 030 255
Sewerage and sanitation charges	221 891 458	202 614 271
Refuse removal	122 413 155	119 930 147
Less: Income foregone Rebates & Indigent subsidies)	(36 464 975)	(32 012 098)
	1 638 650 416	1 495 711 324

24. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	7 072 319	8 242 086
Rental of sports grounds	10 337	35 054
Rental of laps and carports	82 883	85 722
Rental of halls	244 200	287 325
Other rentals	61 112	90 731
	7 470 851	8 740 918

25. Income from agency services

Agency Service	20 178 045	26 305 329
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Income from Agency Services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement refer to note 59.

26. Operational revenue

Actuarial gains	52 063 525	18 992 458
Administration fees	223 959	267 500
Advertising	370 461	703 802
Application fees	639 102	590 971
Building plan fees	3 032 227	3 394 607
Bulk service connections	992 899	1 564 486
Cemetery fees	2 586 000	2 574 371
Contributions Developers	1 232 400	5 970 010
Insurance claims	1 198 648	551 195
Other income	2 815 800	2 085 242
Service connections	9 272 348	8 151 523
Donations/Assets transferred (Assets aquired at no cost)	674 839	13 127 828
Meter tampering	413 927	733 963
	75 516 135	58 707 956

2020

Assets acquired at no cost/donations

The revenue from assets acquired at no cost is attributable to an increase in animals due to new births.

2019

Assets acquired at no cost/donations

The substations that were created by the developers for Mindalore and Homeshaven and handed over to the municipality. Provincial rural development also donated water and sanitation assets.

27. Interest received - Outstanding debtors

Interest received	46 723 223	54 189 936
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Figures in Rand	2020	2019
28. Investment revenue		
Dividend revenue		
Dividends	26 079	24 361
Interest revenue		
Interest on investment	1 621 339	3 693 786
Interest on favourable balances	915 868	1 406 400
	2 537 207	5 100 186
Total revenue from investments	2 563 286	5 124 547
29. Statutory income: Property rates		
Rates received		
Residential	540 063 550	541 000 869
Commercial & Educational Institutions	320 853 658	326 134 830
Small holdings and farms	34 122 099	31 525 380
Less: Income foregone (Rebates & subsidies)	(331 767 279)	(337 344 207)
	563 272 028	561 316 872

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Figures in Rand	2020	2019
30. Transfers and subsidies		
Operating grants		
Equitable share	408 060 992	369 809 000
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	14 237 268	3 161 591
Expanded public works programme (EPWP)	4 481 000	4 346 000
Provincial Disaster Management Grant - COGTA	1 251 000	-
Performance Management Grant (PMG)	-	500 000
WRDM: HIV/AIDS Grant	2 688 298	2 892 000
Sport, Art, Culture and Recreation (SRAC)	12 271 990	7 661 019
Finance Management Grant (FMG)	823 032	1 493 008
	443 813 580	389 862 618
Capital grants		
Department of Energy (DoE)	17 501 591	10 075 409
Water Services Infrastructure grant (WSIG)	40 020 860	27 088 744
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	101 383 034	123 964 995
Human Settlement Development Grant (HSDG)	31 111 000	103 422 861
Sport, Art, Culture and Recreation (SRAC)	8 234 462	8 232 529
Neighbourhood Development Partnership Grant (NDPG)	10 000 000	75 251 074
Finance Management Grant (FMG)	726 968	56 992
	208 977 915	348 092 604
	652 791 495	737 955 222

Unspent Grants

Mogale City spent 98.87% (R652 791 495) of the total grants received including grants rolled over from the previous financial year.

The unspent balance of R6 488 097 relates to unspent grants whose conditions still needs to met, as well as an amount of R960 798 transferred to payables from non-exchange transactions as the roll over was not approved. Refer to note 15 for details on the unspent grants.

31. Fines, penalties and forfeits

Statutory income: Traffic fines	28 170 040	24 160 050
Penalties imposed	10 241 715	32 168 366
Library fines	4 107	6 726
	38 415 862	56 335 142

Revenue from traffic fines is recognised on the accrual basis. The municipality did not issue speed camera fines during the current and previous financial year.

Revenue received from penalties imposed relates to income received from reconnections of water and electricity which is disconnected due to non payment.

The reduction of income received during the year under review was due to non-implementation of Credit Control during the COVID-19 lockdown period.

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Figures in Rand	2020	2019
32. Fair value adjustments		
Investment property & Shares fair value adjustments	40 103 599	19 670 789

2020

Fair value adjustment

The Investment Property was evaluated by an independent valuer, MCZ Professionals JV. The direct comparison method was utilised to value Investment Property as it is a preferred approach to value and is accepted by the SA Courts. When utilising the direct comparison method, a comparison is drawn between sales from prior year and comparing to it to current year sales, thus calculating the percentage adjustment for specific areas.

2019

Fair value adjustment

As per the results of a valuation conducted by an independent valuer, Manna Holdings (Pty) Ltd, property values increased by a small margin of 1% to 3% depending on the location and condition. This was due to the largely depressed economy and hence no significant exchange of properties in the market during this period.

33. Employee related costs

Basic salaries	513 729 067	481 866 916
Bonus	35 757 751	33 607 593
Medical aid - company contributions	34 470 531	31 839 298
UIF	3 128 118	3 087 854
Industrial council levy	171 735	175 787
Employee Benefit Obligation - Interest	22 255 474	22 318 874
Leave provision and payments	16 714 833	3 453 606
Actuarial losses	17 392	4 786 828
Skills Development Levy	5 047 364	5 743 140
Defined contribution plans	89 446 462	84 023 084
Overtime payments	37 671 854	38 984 186
Long-service awards	-	186 116
Acting allowances	1 747 051	2 310 402
Car allowance	50 098 532	48 857 509
Housing subsidy	3 790 832	3 557 554
Section 57 Salaries	15 790 047	14 909 890
COVID-19 Incentive Allowance	3 556 543	-
	833 393 586	779 708 637

Skills Development levy

Temporary Exemption From Skills Development Levy

Mogale City received an exemption for the month of May and June 2020 amounting R 1 070 868 million.

34. Remuneration of councillors

Executive Mayor	922 639	1 060 662
Chief Whip	805 366	806 551
Speaker	856 222	857 499
Municipal Public Accounts Committee (MPAC)	631 723	784 241
Mayoral Committee Members	6 597 408	8 066 221
Part time councillors	23 772 171	22 814 794
	33 585 529	34 389 968

35. Depreciation and amortisation

Property, plant and equipment	235 801 384	238 952 449
Intangible assets	1 483 512	1 760 620

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Figures in Rand	2020	2019
35. Depreciation and amortisation (continued)	237 284 896	240 713 069

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Figures in Rand	2020	2019
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36. Impairment of assets

Impairments	490 977	30 892 815
Property, plant and equipment		

Reversal of Impairment

Impairment reversal is as a result of the refurbishment of Rietvallei pump station which was previously impaired. The items previously impaired were renewed and are working properly.

37. Finance costs

Interest paid	49 378 336	48 251 895
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Figures in Rand	2020	2019
38. Debt impairment		
Debt impairment	243 916 222	246 656 906
39. Collection cost		
Collection costs	38 378 640	45 258 182

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Figures in Rand	2020	2019
40. Bulk purchases		
Electricity - Eskom	734 152 621	667 495 067
Water - Rand Water	339 703 909	306 945 036
Wastewater sewer discharge: Johannesburg Water	6 034 539	7 348 493
	1 079 891 069	981 788 596

2020

Electricity Losses

During the year under Review Mogale City Local Municipality had unaccounted electricity of 8.33% which amounts to 55,061,552.65kwh (9.74%: 2019, 67,262,492.95kwh). The total rand value of these losses was R 58,999,948.69 (R 46,499,852.68: 2019). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2019/20 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

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Figures in Rand

2020

2019

40. Bulk purchases (continued)

Mitigations:

Replacement of old analogue induction meters with digital meters to reduce measurement errors

Continuous inspection of meter installations to identify and resolve faulty and tampered meters

Expanding Electrification programmes to eradicate illegal electricity connections to the extent of INEP support

2019

Electricity Losses

During the previous financial year Mogale City Local Municipality had unaccounted electricity of 9.74% which amounts to 67,262,492.95kwh (6.43%: 2018, 45,159,499.91kwh) . The total rand value of these losses was R 46,499,852.68 (R 34,515,394.88: 2018). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The increase in electricity losses in the 2018/19 financial year were due to an increased number of residents in informal settlements that are illegally connected to the network

Mitigations:

Continuous disconnection of illegal connections with the assistance of the law enforcement agencies

Continuous provision of electricity to all residents residing in informal settlements by the assistance of the Department of Energy (DoE) using INEP funding programme.

2020

Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 10.54% (non-technical losses), 3,523,216.46 kl. The total rand value of these non-technical losses were R 35,507,829.62.

Identified causes of water losses:

1. Unmetered facilities
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Planned corrective measures:

1. Metering of informal settlements and all unmetered areas
2. Replacement/Installation/Metering of 316 Businesses/Industrial Bulk Water Meters
3. Reservoirs Leakage Investigation and Repairs
4. Aged Water Pipeline Infrastructure Asset Replacement Plan/Programme to be developed. Priority Approach to Aged Water Pipe Replacement has been developed.
5. Audit of prepaid water meters where non-purchase has been conducted
6. Fleet and personnel resources to be increased to improve on a turn-around time for burst pipe repairs to reduce wastage of water
7. Pressure Management Infrastructure Maintenance Plan to be developed and implemented

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,010,278.55 kl amounting to R50,553,972.48.

2019

Water Losses

During the previous financial year Mogale City Local Municipality had unaccounted water of 12.11% (non-technical losses), 3,982,723.35 kl. The total rand value of these non-technical losses were R 37,164,763.95.

Identified causes of water losses:

1. Water Theft (Illegal Connections) by Businesses/Industries and Residential Consumers
2. Non- Functional Bulk Water Meters (Industrial and Businesses)
3. Non – Functional Residential Customers Water Meters
4. Aged Water Pipeline Infrastructure (Asbestos, Steel Pipelines)

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40. Bulk purchases (continued)

- 5. Leaking Water Storage Reservoirs
- 6. Operation and Maintenance Budget Constraint
- 7. Aged Pressure Management Infrastructure

Planned & implemented corrective measures:

- 1. On Water Theft (Illegal Connections) the following measures are being implemented on an on-going basis
Analysis of residential and industrial and businesses consumption and purchases
Investigation of illegal connections and removal of those connections and application of the penalty to the offenders through the municipal by-law and policies
Restrictions of consumers water flows and pressure
Conducting public awareness on water theft, water conservation
Frequent updating of industrial and businesses meters data base
Ongoing Maintenance of water meters to improve metering accuracy
- 2. Non – Functional Bulk Meters
Contractor appointed for the audit of bulk water meters
Contractor appointed for the replacement of non-functional bulk water meters
- 3. Non-functional Residential Consumers Water Meters
Contractor appointed for the repair and replacement of residential water meters
Internal residential water meter audit by municipal officials
Speedy response to customers with regard to meter faults
- 4. Aged Water Pipeline Infrastructure
Funding has been made available by the municipality for the replacement of aged pipe infrastructure , through prioritization system
External Funding Sources Application
- 5. Leaking Water Storage Reservoirs
Reservoir Refurbishment Plan has been developed
External Funding Source being explored
- 6. Aged Pressure Management Infrastructure Challenge
Pressure Management System Infrastructure Refurbishment and Upgrade Plan Developed

During the previous financial year the technical losses which the municipality does not have control over was determined as 15%, 4,925,936.70 kl amounting to R46,058,122.90.

41. Contracted services

Presented previously

Information Technology Services	700 200	1 423 359
Fleet Services	30 692 980	12 442 465
Operating Leases	14 127 221	13 010 400
Specialist Services	5 579 023	5 474 883
Repairs and maintenance	121 775 816	97 558 715
COVID-19 - Emergency maintenance of Krugersdorp game reserve	2 063 073	-
Other Contractors	227 387 084	188 264 199
	402 325 397	318 174 021

42. Transfers and subsidies (operational expenditure)

Other subsidies

Grants councillors	319 440	391 560
Grants in aid	1 381 427	2 395 146
	1 700 867	2 786 706

43. Operational costs

Advertising	695 475	882 274
Assets written off	1 194 795	28 951 513
Audit and Risk committee remuneration	167 404	187 260
Bank charges	3 606 298	5 137 703
Bursary scheme internal and external	1 299 558	2 135 559
Compensation Occupational Injuries and Diseases Act	3 852 651	3 377 619
Conferences and seminars	205 004	239 671

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43. Operational costs (continued)		
Consumables	747 987	1 535 056
Fuel and oil	11 693 109	13 652 640
Insurance	4 969 971	3 744 813
Internet fees	2 093 313	4 149 283
Magazines, books and periodicals	30 867	41 102
Other expenses	63 309 716	19 002 631
Postage and courier	3 055 063	3 744 613
Printing and stationery	1 523 099	2 163 706
Electricity purchases for consumption	9 010 237	10 766 418
Refreshments general and meetings	334 940	530 022
Royalties and license fees	4 407 336	3 664 023
Safety equipment/Protective clothing	2 203 551	2 415 371
Settlement and legal fees	13 153 575	14 660 148
Stores and materials (inventory items)	2 758 989	3 991 164
Subscriptions and membership fees	8 672 365	7 820 077
Telephone and fax	6 284 840	6 593 198
Training	506 520	1 073 505
Travel - local	662 601	1 114 237
COVID-19 Expenses	3 177 771	-
	149 617 035	141 573 606

Other expenses represent consolidated small expenditure items.

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Figures in Rand	2020	2019
44. Cash generated from operations		
Surplus	15 731 199	153 895 707
Adjustments for:		
Depreciation and amortisation	237 284 896	240 713 069
Fair value adjustments	(40 103 597)	(19 670 789)
Impairment loss/reversal	490 976	30 892 816
Debt impairment	230 149 562	264 486 847
Movements in operating lease assets and accruals	35 758	268 828
Movements in retirement benefit assets and liabilities	(31 910 926)	6 619 710
Movements in provisions	7 697 345	6 520 055
Changes in working capital:		
Inventories	2 465 304	159 122
Receivables from exchange transactions	(202 103 298)	(228 427 079)
Receivables from non-exchange transactions	(160 841 737)	(47 251 395)
Payables from exchange transactions	192 911 194	75 445 428
VAT	13 187 355	(1 921 193)
Unspent conditional grants and receipts	6 349 268	(24 205 481)
Consumer deposits	3 331 673	1 934 621
Sundry deposits	247 828	(149 559)
Payables from non-exchange transactions	5 004 474	(13 158 885)
	279 927 274	446 151 822

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45. Budget differences

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds in line with the virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below. The current financial year has material differences on revenue, expenditure has no material differences with a variance of more than 10%.

Statement of financial performance

Revenue

45.1 Rental of facilities and equipment

This is income earned on rental of Council facilities, the main contributors of less than expected revenue was revenue from outdoor advertising.

45.2 Interest received on outstanding debtors

Interest revenue on outstanding debtors decreased as a result of the handing over of a significant part of the outstanding debtors balance during the financial year to debt collectors which resulted in the interest that had been previously levied on the balances that were handed over ceasing to attract interest per the Credit Control policy.

45.3 Income from agency services

Due to COVID-19 lockdown regulations, motorists were granted an extension to renew their vehicle registration licenses, as a result revenue collection was negatively impacted.

45.4 Interest received on external investments

The municipality has experienced cash flow pressures this financial year, this resulted into less funds available for investment.

45.5 License and permits

The missed target was due to few inspections conducted as a result of staff shortage, and this was exacerbated by the Covid-19 lockdown during the last quarter of the financial year.

45.6 Investment Property Fair value adjustment

We have applied the direct comparison method to value properties this was done by drawing comparisons between sales from prior year to current year sales.

45.7 Fines

The target for this income class was missed due to Covid -19, there were few movement of motor vehicles on the road, that resulted to less road transgression and few or no fines issued.

45.8 Other income

Due to economic constraints and Covid-19 lockdown the municipality's revenue did not perform as expected.

Capital Variances

45.9 Internally Generated Funds

Internally Generated Funds has an expenditure variance of 18% comprised of:

Own funding with an expenditure variance of 18%, this variance is due to cash flow problems and delay in supply chain processes experienced by the municipality during the financial year.

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46. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	19 493 283	-	-	19 493 283
Receivables from non-exchange transactions	154 441 628	-	-	154 441 628
Receivables from exchange transactions	231 762 977	(18 056)	-	231 744 921
Cash and cash equivalents	60 674 286	-	-	60 674 286
Operating lease asset	121 517	-	-	121 517
VAT receivable	35 709 835	26 749	-	35 736 584
	502 203 526	8 693	-	502 212 219
Non-Current Assets				
Investment property	676 421 944	(12 503 491)	-	663 918 453
Property, plant and equipment	5 762 113 965	170 604	-	5 762 284 569
Intangible assets	2 586 331	178 307	-	2 764 638
Heritage assets	2 494 740	-	-	2 494 740
Financial assets	762 842	-	-	762 842
	6 444 379 822	(12 154 580)	-	6 432 225 242
Total Assets	6 946 583 348	(12 145 887)	-	6 934 437 461
Liabilities				
Current Liabilities				
Employee benefit obligation	13 220 246	-	-	13 220 246
Finance lease obligation	16 772 867	-	-	16 772 867
Unspent conditional grants and receipts	138 829	-	-	138 829
Provisions	6 231 356	6 543 357	-	12 774 713
Payables from non-exchange transactions	76 627 038	-	-	76 627 038
Payables from exchange transactions	802 116 063	470 455	-	802 586 518
Financial liabilities	34 809 261	-	-	34 809 261
Sundry deposits	11 996 801	-	-	11 996 801
Consumer deposits	57 696 053	-	-	57 696 053
Operating lease liability	245 808	-	-	245 808
	1 019 854 322	7 013 812	-	1 026 868 134
Non-Current Liabilities				
Employee benefit obligation	239 055 805	-	-	239 055 805
Finance lease obligation	34 628 782	-	-	34 628 782
Provisions	78 870 952	(6 543 357)	-	72 327 595
Financial liabilities	285 363 559	-	-	285 363 559
	637 919 098	(6 543 357)	-	631 375 741
Total Liabilities	1 657 773 420	470 455	-	1 658 243 875
Net Assets	5 288 809 928	(12 616 342)	-	5 276 193 586
Social Responsibility Fund				
Social Responsibility Fund	23 871 526	-	-	23 871 526
Accumulated surplus	5 264 938 212	(12 616 155)	-	5 252 322 057

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46. Prior period errors (continued)		
Total Net Assets	5 288 809 738	141 279 577
		- 5 276 193 583

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46. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 537 183 011	-	(41 471 687)	1 495 711 324
Rental of facilities and equipment	8 740 918	-	-	8 740 918
Income from agency services	26 305 329	-	-	26 305 329
Licences and permits	32 073	-	-	32 073
Operational revenue	58 577 607	130 349	-	58 707 956
Interest received - Outstanding debtors	54 189 936	-	-	54 189 936
Interest received - Investment	5 100 186	-	-	5 100 186
Dividends received	24 361	-	-	24 361
Total revenue from exchange transactions	1 690 153 421	130 349	(41 471 687)	1 648 812 083
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	561 316 872	-	-	561 316 872
Transfer revenue				
Transfers & subsidies	737 955 222	-	-	737 955 222
Fines, Penalties and Forfeits	56 335 142	-	-	56 335 142
Fair value adjustments investment property	19 764 089	(93 300)	-	19 670 789
Total revenue from non-exchange transactions	1 375 371 325	(93 300)	-	1 375 278 025
Total revenue	3 065 524 746	37 049	(41 471 687)	3 024 090 108
Expenditure				
Employee related costs	(779 708 634)	-	-	(779 708 637)
Remuneration of councillors	(34 389 968)	-	-	(34 389 968)
Depreciation and amortisation	(240 526 049)	(187 020)	-	(240 713 069)
Impairment loss/Reversal of impairments	(27 697 815)	(3 195 000)	-	(30 892 815)
Finance costs	(48 036 302)	(215 593)	-	(48 251 895)
Debt impairment	(246 656 906)	-	-	(246 656 906)
Collection costs	(45 258 182)	-	-	(45 258 182)
Bulk purchases	(981 788 596)	-	-	(981 788 596)
Contracted services	(317 564 334)	(609 687)	-	(318 174 021)
Transfers and subsidies (operational expenditure)	(2 771 239)	(15 467)	-	(2 786 706)
Operational costs	(179 947 305)	38 373 699	-	(141 573 606)
Total expenditure	(2 904 345 330)	34 150 932	-	(2 870 194 401)
(Deficit) surplus for the year	161 179 416	34 187 981	(41 471 687)	153 895 707

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46. Prior period errors (continued)

46.1 Prior period error

Receivables from exchange transactions

allocation of insurance claims

Provisions

Allocations of short term provisions.

Investment Property Fair Value

Investment property fair value adjustment is due to a write off of land that is not owned by the council, which was incorrectly disclosed and the reversal of it's fair value adjustment.

Operational Revenue

Correction of animal PPE which were incorrectly captured.

Depreciation

Useful life adjustment on components nearing their useful lives as per the Asset Management Policy;
Capitalisation of assets bought in the prior year;
Impairment of Intangible Assets and
Correction of animals PPE which were incorrectly captured.

Impairment Loss

Impairment of WIP intangible assets.

Contracted Services

Capitalisation of library books that were bought in the prior year and expensing of operational items purchased with a capital budget.

Operational Expenditure

Animal corrections that were incorrectly captured, write off of Investment Property that is not owned by the council, reversal of assets previously written off and clearing insurance vote and capitalisation of assets bought in the prior year.

Retention

The invoice of the service provider did not reflect any retention for the payment under review, it only showed the previous accumulated retentions (R 244 644.45).

Service Charges

Municipal internal charges with respect to billed consumption have been reclassified to income foregone in compliance with GRAP 9 from being separately recognized into Expenditure and Revenue line items due to the fact that they do not meet the GRAP 9 Revenue definition as there is no probability of inflows of economic benefits being realised by the municipality from internal consumption of services.

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47. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	108 539 828	43 971 722
• Community	841 263 800	820 359 767
	949 803 628	864 331 489

Authorised operational expenditure

Approved

• Operational expenditure	345 210 480	74 732 936
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Capital commitments represents future capital expenditure. The municipality has the obligation to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

The commitments disclosed above exclude the 1% increase in VAT for tenders awarded before 1 April 2018.

As and when contracts

The municipality has 16 contracts that are on an as and when required basis. The contracts expenditure amount to R176 083 572: 2020, R91 506 038: 2019 and R284 092 095: 2018. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 38 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R343 132 390

Deviations

During the year under review Mogale City Local Municipality deviated with a total amount of R 31 227 915 .

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	6 207 042	8 189 515
- in second to fifth year inclusive	25 156	5 833 998
	6 232 198	14 023 513

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . No restrictions have been imposed on the municipality in terms of the operating lease agreements. .

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	766 569	949 078
- in second to fifth year inclusive	1 484 126	2 068 114
- later than five years	-	80 255
	2 250 695	3 097 447

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 30 years. The rental levied escalates at 10% on average per annum.

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48. Contingencies		
Contingent liabilities		
Karel Du Plessis Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118	147 072	147 072
C Venter Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages	22 000	22 000
Chabano Trading Consultant The Plaintiff alleges that the Municipality has unlawfully terminated the contract.	1 167 770	1 167 770
Ndumo Group Resources CC The service provider is suing the municipality for services rendered.	1 340 217	1 340 217
Khalipha Entertainment MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.	1 799 490	1 799 490
Madelein van Rooyen The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.	122 365	122 365
Lefatshe Security Services (PTY) LTD The service provider is suing the Municipality for breach of contract.	7 938 183	7 938 183
Camel friends CC Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	50 244	50 244
YYY Trading The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate.	-	71 182
Annemarie Cronje Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	22 445	22 445
Gerhad Human Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	29 551	29 551
Palmetto Gate Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	111 584	111 584
Yolande Strydom Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	124 180	124 180
Annemarie Cronje Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.	243 852	243 852
Dumisani Amos Mnis Summons issued against the municipality for vicarious liability.	654 000	654 000
Alfa Transportation Summons issued against the municipality for overpayment of services.	15 275	15 275
Mvuyisi Mfebe Summons issued against the municipality for alleged infringement of copyrights.	10 000 000	10 000 000
Ngwekana Advisory Summons issued against the municipality for alleged breach of contract. The contractual amount was R1 800 000 entered into between the parties over a three years period. However they issued summons of R48 244 798.95 which does not derive from any contractual relationship between the parties.	488 868	488 868
Phambane Mokone Inc. Summons issued against the municipality for non-payment of invoices for services rendered.	1 052 798	1 052 798
Dartingo Trading 356 (Pty) Ltd The municipality is being sue for damages as they alleged that a potential purchaser cancelled an offer to purchase their property after the municipality relocated people to a property adjacent to their property.	2 400 000	2 400 000
Nzambi Aubin Biasua & Nzambi Makala Biausua	499 633	499 633

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48. Contingencies (continued)		
The municipality is being sued for damages as the plaintiff alleges that the municipality failed to ensure that they were safe during the riots.		
Ncobo Edith	10 000 000	4 000 000
The municipality is being sued for damages as the plaintiff alleges that the municipality acted negligent by leaving a sewerage drain open which led to a minor child's falling in the drainage.		
C & G Engineering Services CC	1 809 477	-
Summons issued against the municipality for alleged non-payment of invoices for services rendered.		
Red Ant Security Relocation and Eviction Services (PTY) LTD	6 050 031	-
Summons issued against the municipality for alleged non-payment of invoices for services rendered		
Category B		
Labour Matters		
Henk Spamer	1 387 658	1 387 658
Notice of motion received for the alleged salary discrepancies between the employee and permanently employed managers.		
	47 476 693	33 688 367

Contingent assets

Outstanding Legal Matters

Khalipha Entertainment	3 685 212	3 685 212
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
Lefatshe Security Services (PTY) LTD	8 062 493	8 062 493
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
Erbacon	-	2 252 132
The municipality sued the service provider for breach of contract and enforcing the penalty clause.		
	11 747 705	13 999 837

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49. Related parties

Relationships

Political Office Bearers comprise of:
Executive Mayor

Chief Whip
Speaker
MPAC

Councillors (MMC)

Accounting Officer
Members of key management

Cllr P.N. Lipudi (Deceased 12 January 2020)
Cllr F.M. Makgatho
Cllr S.I. Dube
Cllr N.C. Mangole
Cllr B.E. Nkosi (Committee dissolved 12 January 2020)
Cllr D.S. David
Cllr N.M. Sedumedi
Cllr M.B. Mdlane
Cllr T.P. Moeketsi
Cllr M.F. Chohledi
Cllr E.N. Cindi
Cllr C.M. Ntlatlane-Zwane
Cllr L.G. Resha (Committee dissolved 12 January 2020)
Cllr A.K. Setswalo-Moja
Cllr M.T. Khuzwayo
Cllr P.T. Molapo (Committee dissolved 12 January 2020)
Cllr T.I. Nzwane
Cllr B.E. Nkosi
Part time councillors (Full list detailed below)
Mr M.P. Raedani
Mrs D.S. Diale
Mr G. Ramorwesi
Mrs M. Boihang
Mr T.R.R. Ramathlape
Mr M.E. Monakedi
Adv A.R. Khuduge
Mr M. Msezana
Mr S.H. Mbanjwa
Mrs T.M. Matshego

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49. Related parties (continued)

Remuneration of management

Mayoral committee members

2020

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
P.N. Lipudi (Deceased 12 January 2020)	352 637	21 716	1 916	133 960	54 345	564 574
F.M. Makgatho	223 193	13 834	1 221	85 340	34 477	358 065
Chief Whip						
S.I. Dube	477 395	40 800	3 600	188 761	94 810	805 366
Speaker						
N.C. Mangole	525 249	40 800	3 600	201 345	85 228	856 222
Section 79 Chair Person						
B.E. Nkosi	329 790	29 065	2 565	130 523	66 647	558 590
D.S. David	44 971	3 839	339	17 239	6 745	73 133
MMC: Corporate Support & Strategic Planning						
M. Khuzwayo	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Human Community Safety						
A.K. Setswalo-Moja	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Health & Social Development						
N.E. Cindi	392 696	33 561	2 961	155 271	75 470	659 959
MMC: Intergrated Environment Management						
M.F. Chohledi	405 056	33 561	2 961	155 271	63 140	659 989
MMC: Sports & Recreation						
C.M. Ntlatlane	405 056	33 561	2 961	155 271	63 135	659 984
MMC: LED & Rural Development						
P.T. Molapo	254 097	21 716	1 916	100 470	48 784	426 983
MMC: Finance						
N.M. Sedumedi	392 696	33 561	2 961	155 271	75 477	659 966
MMC: Roads and Transport						

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49. Related parties (continued)

M.B. Mdlane	392 696	33 561	2 961	155 271	75 470	659 959
MMC: LED & Rural Development						
T.P. Moeketsi	405 056	33 561	2 961	155 271	63 135	659 984
MMC: Community Safety						
L.S. Resha	254 097	21 716	1 916	100 470	48 784	426 983
MMC: Utilities						
I.T. Nzwane	138 598	11 845	1 045	54 802	26 537	232 827
MMC: Human Settlement						
B.E. Nkosi	137 315	11 735	1 035	54 294	26 477	230 856
	5 915 990	485 554	42 841	2 309 372	1 059 601	9 813 358

2019

Name	Annual Remuneration	Cellphone allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
P.N. Lipudi	656 562	40 800	3 600	251 682	108 018	1 060 662
Chief Whip						
S.I. Dube	477 395	40 800	3 600	188 761	95 995	806 551
Speaker						
N.C. Mangole	525 249	40 800	3 600	201 346	86 505	857 500
Section 79 Chair Person						
B.E. Nkosi	466 707	40 800	3 600	183 225	89 909	784 241
MMC: Energy, Water and Sanitation						
M. Khuzwayo	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Health & Social Services						
N.E. Cindi	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Intergrated Environment Management						
M.F. Chohledi	492 421	40 800	3 600	188 761	81 119	806 701
MMC: Sports and Recreation						

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49. Related parties (continued)

C.M. Ntlatlane	492 421	40 800	3 600	188 761	81 377	806 959
MMC: LED and Rural Development						
P.T. Molapo	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Finance						
N.M. Sedumedi	477 395	40 800	3 600	188 761	95 995	806 551
MMC; Roads and Transport						
M.B. Mdlane	477 395	40 800	3 600	188 761	95 995	806 551
MMC; Corporate Services						
T.P. Moeketsi	492 421	40 800	3 600	188 761	81 126	806 708
MMC; Community Safety						
L.S Resha	477 395	40 800	3 600	188 761	95 995	806 551
	6 944 941	571 200	50 400	2 712 624	1 296 014	11 575 179

Councillors

2020

	Annual Remuneration	Cellphone allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Part time councillors						
G.I. Moliwanyane	207 777	40 800	3 600	79 648	33 932	365 757
F.O. Bhayat	207 777	40 800	3 600	79 648	33 932	365 757
S.D. Letsie	192 751	40 800	3 600	79 648	48 833	365 632
E. Modise	192 751	40 800	3 600	79 648	48 833	365 632
T.J. Steenkamp	207 777	40 800	3 600	79 648	33 932	365 757
J.L. Pannall	192 751	40 800	3 600	79 648	48 833	365 632
M. Mohube	207 777	40 800	3 600	79 648	33 932	365 757
I.T. Nzwane	136 791	28 955	2 555	56 524	35 179	260 004
D.S. David	188 228	36 961	3 261	72 154	30 999	331 603
R.J. Mokotla	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Selibo	207 777	40 800	3 600	79 648	33 932	365 757
M.P.J. Madumo	192 751	40 800	3 600	79 648	48 833	365 632

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49. Related parties (continued)

B.A. Kubayi	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Agondo	192 751	40 800	3 600	79 648	48 833	365 632
M.D. Sithole	207 777	40 800	3 600	79 648	33 932	365 757
M.O. Ramadi	207 777	40 800	3 600	79 648	33 932	365 757
S. Silaule	207 777	40 800	3 600	79 648	33 932	365 757
J.S. Hoon	207 777	40 800	3 600	79 648	33 932	365 757
G.K. Gaselebelwe	192 751	40 800	3 600	79 648	48 833	365 632
B.N. Ngakane	192 751	40 800	3 600	79 648	48 833	365 632
J.N. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
P.C. Orpen-Reid	207 777	40 800	3 600	79 648	33 932	365 757
J. Miller	207 777	40 800	3 600	79 648	33 932	365 757
B.V. Molefe	192 751	40 800	3 600	79 648	48 833	365 632
L. Modise	207 777	40 800	3 600	79 648	33 932	365 757
X.L. Mkruquili	207 777	40 800	3 600	79 648	33 932	365 757
W. Segolodi	207 777	40 800	3 600	79 648	33 932	365 757
W. Ngwako	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	33 932	365 757
E. Mahne	207 777	40 800	3 600	79 648	33 932	365 757
A. Wentzel	207 777	40 800	3 600	79 648	33 932	365 757
J.J. Holtzhausen	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Koboekae	207 777	40 800	3 600	79 648	33 932	365 757
V.B. Khumalo	192 751	40 800	3 600	79 648	48 833	365 632
T.E. Mokoena	207 777	40 800	3 600	79 648	33 932	365 757
T.M. Gray	207 777	40 800	3 600	79 648	33 932	365 757
P.J. Makokwe	207 777	40 800	3 600	79 648	33 932	365 757
I. Mangole	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Moleba	207 777	40 800	3 600	79 648	33 932	365 757
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	33 932	365 757
S. Govindasamy	192 751	40 800	3 600	79 648	48 833	365 632
M.T. Lebe	207 777	40 800	3 600	79 648	33 932	365 757
Z. Wehinger-Maguire	207 777	40 800	3 600	79 648	33 932	365 757
M.C.G. Naude	192 751	40 800	3 600	79 648	48 833	365 632
K.E. Lekagane	207 777	40 800	3 600	79 648	33 932	365 757
C.A. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
M. Ndamase	207 777	40 800	3 600	79 648	33 932	365 757

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49. Related parties (continued)

A.G. Mutele	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Jim	207 777	40 800	3 600	79 648	33 932	365 757
S.A. Dabhelia	207 777	40 800	3 600	79 648	33 932	365 757
L.L. Lekoto	207 777	40 800	3 600	79 648	33 932	365 757
K. Ngwenya	207 777	40 800	3 600	79 648	33 932	365 757
R.B. Seemela	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Khoza	207 777	40 800	3 600	79 648	33 932	365 757
J. Makgopa	207 777	40 800	3 600	79 648	33 932	365 757
G.A. Tsele	207 777	40 800	3 600	79 648	33 932	365 757
B.S. Tlapu	207 777	40 800	3 600	79 648	33 932	365 757
O.S.S. Moralo	207 777	40 800	3 600	79 648	33 932	365 757
B.L. Shabalala	207 777	40 800	3 600	79 648	33 932	365 757
L.E. du Toit	207 777	40 800	3 600	79 648	33 932	365 757
A.S. Eksteen	207 777	40 800	3 600	79 648	33 932	365 757
K.E. Mapetla	207 777	40 800	3 600	79 648	33 932	365 757
H.H. Kruger	207 777	40 800	3 600	79 648	33 932	365 757
M. Khuzwayo	34 198	7 239	639	14 131	9 690	65 897
A.S. Setswalo-Moja	34 198	7 239	639	14 131	9 690	65 897
M.F. Chohledi	36 864	7 239	639	14 131	7 124	65 997
N.E. Cindi	34 198	7 239	639	14 131	9 690	65 897
C.M. Ntlatlane	36 864	7 239	639	14 131	7 124	65 997
P.T. Molapo	90 158	19 084	1 684	37 255	23 493	171 674
N.M. Sedumedi	34 198	7 239	639	14 131	9 690	65 897
M.B. Mdlane	34 198	7 239	639	14 131	9 690	65 897
T.P. Moeketsi	36 864	7 239	639	14 131	7 124	65 997
L.G. Resha	90 158	19 084	1 684	37 255	23 493	171 674
	13 296 008	2 650 794	233 894	5 174 747	2 416 730	23 772 173

2019

Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
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Mogale City Local Municipality

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49. Related parties (continued)

Part time councillors

G.I. Moilwanyane	207 777	40 800	3 600	79 648	34 485	366 310
A. Fourie	109 027	21 277	1 877	41 537	17 320	191 038
C.P. Zagagana	66 595	13 600	1 200	25 528	11 059	117 982
F.O. Bayat	207 777	40 800	3 600	79 648	34 485	366 310
S.D. Letsie	192 751	40 800	3 600	79 648	49 361	366 160
L.C. Pannall	113 523	22 045	1 945	43 035	17 389	197 937
E. Modise	192 751	40 800	3 600	79 648	49 361	366 160
T.J Steenkamp	207 777	40 800	3 600	79 648	34 485	366 310
J.L. Pannall	192 751	40 800	3 600	79 648	49 361	366 160
M. Mohube	207 777	40 800	3 600	79 648	34 485	366 310
I.T. Nzwane	192 751	40 800	3 600	79 648	49 361	366 160
D.S. David	207 777	40 800	3 600	79 648	34 485	366 310
R.J. Mokotla	207 777	40 800	3 600	79 648	34 485	366 310
M.J. Selibo	207 777	40 800	3 600	79 648	34 485	366 310
M.P.J. Madumo	192 751	40 800	3 600	79 648	49 361	366 160
B.A. Kubayi	207 777	40 800	3 600	79 648	34 485	366 310
M.L. Agondo	192 751	40 800	3 600	79 648	49 361	366 160
M.D. Sithole	207 777	40 800	3 600	79 648	34 485	366 310
V. Mhlari	136 137	27 200	2 400	53 098	20 393	239 228
M.O. Ramadi	207 777	40 800	3 600	79 648	34 485	366 310
S. Silaule	207 777	40 800	3 600	79 648	34 485	366 310
J.S. Hoon	207 777	40 800	3 600	79 648	34 485	366 310
G.K. Gaselebelwe	196 507	40 800	3 600	79 648	45 642	366 197
B.N. Ngakane	192 751	40 800	3 600	79 648	49 361	366 160
A. De Lange	168 916	35 755	3 155	69 799	45 119	322 744
J.N. Kotze	207 777	40 800	3 600	79 648	34 485	366 310
P.C. Orpen-Reid	207 777	40 800	3 600	79 648	34 485	366 310
J. Miller	207 777	40 800	3 600	79 648	34 485	366 310
B.V. Molefe	192 751	40 800	3 600	79 648	49 361	366 160
L. Modise	207 777	40 800	3 600	79 648	34 485	366 310
X.L. Mkruquli	207 777	40 800	3 600	79 648	34 485	366 310
W. Segolodi	207 777	40 800	3 600	79 648	34 485	366 310
W. Ngwako	207 777	40 800	3 600	79 648	34 485	366 310
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	34 485	366 310

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49. Related parties (continued)

E. Mahne	207 777	40 800	3 600	79 648	34 485	366 310
A. Wentzel	207 777	40 800	3 600	79 648	34 485	366 310
J.J. Holtzhausen	207 777	40 800	3 600	79 648	34 485	366 310
M.J. Koboekae	207 777	40 800	3 600	79 648	34 485	366 310
V.B. Khumalo	192 751	40 800	3 600	79 648	49 361	366 160
T.E. Mokoena	207 777	40 800	3 600	79 648	34 485	366 310
T.M. Gray	207 777	40 800	3 600	79 648	34 485	366 310
P.J. Mokokwe	207 777	40 800	3 600	79 648	34 485	366 310
I. Mangole	207 777	40 800	3 600	79 648	34 485	366 310
L.W. Moleba	207 777	40 800	3 600	79 648	34 485	366 310
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	34 485	366 310
S. Govindasamy	192 751	40 800	3 600	79 648	49 361	366 160
M.T. Lebe	207 777	40 800	3 600	79 648	34 485	366 310
Z. Wehinger-Maguire	207 777	40 800	3 600	79 648	34 485	366 310
M.C.G. Naude	192 751	40 800	3 600	79 648	49 361	366 160
K.E. Lekagane	207 777	40 800	3 600	79 648	34 485	366 310
C.A. Kotze	207 777	40 800	3 600	79 648	34 485	366 310
M. Ndamase	207 777	40 800	3 600	79 648	34 485	366 310
A.G. Mutele	207 777	40 800	3 600	79 648	34 485	366 310
M.J. Jim	207 777	40 800	3 600	79 648	34 485	366 310
S.A. Dabhelia	207 777	40 800	3 600	79 648	34 485	366 310
L.L. Lekoto	207 777	40 800	3 600	79 648	34 485	366 310
K. Ngwenya	207 777	40 800	3 600	79 648	34 485	366 310
R.B. Seemela	207 777	40 800	3 600	79 648	34 485	366 310
M.L. Khoza	207 777	40 800	3 600	79 648	34 485	366 310
J. Makgopa	207 777	40 800	3 600	79 648	34 485	366 310
G.A. Tsele	207 777	40 800	3 600	79 648	34 485	366 310
B.S. Tlapu	207 777	40 800	3 600	79 648	34 485	366 310
O.S.S. Moralo	207 777	40 800	3 600	79 648	34 485	366 310
N. Kufa	66 466	13 052	1 152	25 479	11 450	117 599
B.L. Shabalala	67 025	13 161	1 161	25 693	11 218	118 258
L.E. du Toit	51 944	10 200	900	19 912	8 621	91 577
A.S. Eksteen	51 944	10 200	900	19 912	8 621	91 577
K.E. Mapetla	24 017	4 716	416	9 207	2 981	41 337
H.H. Kruger	24 017	4 716	416	9 207	2 981	41 337

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49. Related parties (continued)

	12 754 105	2 542 323	224 323	4 961 975	2 332 074	22 814 800
Executive management						
2020						
	Annual	Leave	Car Allowance	Contribution		Total
	Remuneration	resignation &		to UIF ,		
		Long Service		Medical,		
		leave		Salgabc &		
				Pension		
Municipal Manager						
M.P. Raedani	1 421 686	-	150 000	432 041		2 003 727
Chief Financial Officer						
D.S. Diale	1 268 419	-	181 500	14 051		1 463 970
Corporate Support Services						
T.R.R. Ramatlhape	1 238 247	-	162 000	64 071		1 464 318
Chief Audit Executive						
M.K.G.Ramorwesi	1 437 072	-	159 675	15 203		1 611 950
Economic Services						
M.A. Msezana	382 528	310 073	57 916	4 879		755 396
Utilities Management Services						
S.H. Mbanjwa	1 303 579	-	-	158 876		1 462 455
Public works, Roads & Transportation						
M.E. Monakedi	1 301 519	-	120 000	41 907		1 463 426
Community Development Services						
A.R. Khuduge	1 546 129	-	-	65 409		1 611 538
Intergrated Environmental Management						
T.M. Matshego	1 305 919	-	144 000	13 749		1 463 668
Strategic Management Services						
M. Boihang	1 292 759	-	-	176 289		1 469 048
Acting: Local Economic Development						
N.V. Bekwa	786 120	-	80 000	154 432		1 020 552

Mogale City Local Municipality

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49. Related parties (continued)

	13 283 977	310 073	1 055 091	1 140 907	15 790 048	
2019						
	Annual Remuneration	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to Medical, Pension & SDL	Total
Municipal Manager						
M.P. Raedani	1 421 686	-	-	150 000	434 928	2 006 614
Chief Financial Officer						
D.S. Diale	1 214 505	-	-	162 000	15 765	1 392 270
Corporate Support Services						
T.R.R. Ramathape	1 180 788	-	-	162 000	64 129	1 406 917
Chief Audit Executive						
C.D. Ngutshana (1 July 2018 - 31 July 2018)	199 842	290 875	-	11 000	6 274	507 991
Chief Audit Executive						
M.K.G. Ramorwesi (appointed 1 June 2019)	119 756	-	-	13 306	1 488	134 550
Economic Services						
M.A. Msezana	1 530 112	-	-	231 665	19 507	1 781 284
Utilities Management Services						
S.H. Mbanjwa	1 236 738	-	-	-	154 024	1 390 762
Public works, Roads & Transportation						
M.E. Monakedi	1 229 300	-	-	120 000	42 588	1 391 888
Community Development Services						
A.R. Khuduge	1 561 272	-	-	-	66 326	1 627 598
Integrated Environmental Management						
T.M. Matshego	1 232 505	-	-	144 000	15 655	1 392 160
Strategic Management Services						
M. Boihang	1 220 299	-	-	-	170 298	1 390 597
Acting Chief Audit Executive						
A. Thalane	451 853	-	-	-	35 404	487 257
	12 598 656	290 875	-	993 971	1 026 386	14 909 888

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50. Unauthorised expenditure

Opening balance	166 303 172	11 892 481
Unauthorised expenditure - current year	-	166 303 172
Less: Amounts written off	-	(11 892 481)
	166 303 172	166 303 172

2020

During the year under review the municipality had no unauthorised expenditure.

2019

Council item number: K(ii) 5(01/2019)

Council authorised unauthorised expenditure of R11 892 481.

51. Irregular expenditure

Opening balance	422 168 628	200 900 303
Add: Irregular Expenditure - current year	103 507 401	221 268 325
Add: Irregular Expenditure - current year (Identified by AGSA during Audit process)	12 924 795	-
	538 600 824	422 168 628

2020

During the year under review the municipality incurred irregular expenditure of R 103 507 401

Council item number: L(i) 3(10/2020)

The Council sought legal opinion on the legitimacy of naming or specifying the alleged transgressor in the 2017/2018 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Hearing Report.

2019

Council item number: K(iii) 7(06/2019)

The Irregular expenditure amounting to R171 157 377 (R88 688 591 plus R82 468 786) be referred to the Disciplinary Board to conduct investigations and to make its findings to MPAC.

Council item number: K(ii) 3(08//2019)

Irregular expenditure amounting to R211 639 218 was taken to council and was referred to MPAC for investigation.

During the audit of the Annual Financial Statements an additional amount of R9 629 107 was identified as irregular expenditure.

52. Fruitless and wasteful expenditure

Opening balance	13 585 302	18 725 070
Fruitless and wasteful expenditure - current year	14 280 958	13 585 302
Less: Expenditure written off by council	-	(18 725 070)
	27 866 260	13 585 302

2020

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R14 227 689 and Rand Water charged interest of R78 326; totaling to R 14 280 958. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

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52. Fruitless and wasteful expenditure (continued)

2019

The municipality incurred fruitless and wasteful expenditure for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R13 451 268 and Rand Water charged interest of R134 035; totaling to R13 585 302. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

Council item number: K(iii) 03(07/2018)

Council certified the the fruitless expenditure of R18 725 070 as irrecoverable and that it be written off.

Council item number: K(ii) 3(08//2019)

Fruitless and wasteful expenditure amounting to R13 585 302 was taken to council to be condoned.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to South African Local Government Association

Current year subscription / fee	8 459 891	7 889 320
Amount paid - current year	(8 310 230)	(7 889 320)
	149 661	-

Audit fees

Opening balance	-	223 114
Current year subscription / fee	6 281 161	4 960 616
Amount paid - current year	(6 281 161)	(5 183 730)
	-	-

PAYE and UIF

Opening balance	10 267 359	8 920 602
Current year subscription / fee	129 094 062	120 698 317
Amount paid - current year	(117 896 458)	(110 430 958)
Amount paid - previous years	(10 267 359)	(8 920 602)
	11 197 604	10 267 359

Pension and Medical Aid Deductions

Opening balance	15 867 829	14 174 992
Current year subscription / fee	183 328 019	172 835 268
Amount paid - current year	(182 266 202)	(171 142 431)
	16 929 646	15 867 829

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N.T. Lebe	4 811	3 927	8 738
F.M. Makgatho	2 365	67 140	69 505
K.E. Mapetla	520	-	520

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

H.F. Zwankhuizen	3 903	-	3 903
K.E. Lekagane	1 403	4 957	6 360
S. Govindasamy	4 856	-	4 856
J.J. Holtzhausen	9 361	-	9 361
K.E. Mapetla	556	6 429	6 985
P. Makgopa	398	1 782	2 180
E. van Westhuizen	404	-	404
	28 577	84 235	112 812

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
T.P. Moeketsi	25 582	46 800	72 382
C.J. van der Westhuizen	1 807	7 314	9 121
G.K. Gaselebelwe	1 956	193	2 149
	29 345	54 307	83 652

54. Audit committee remuneration

Fees	167 404	187 260
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55. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	285 363 559	320 172 820
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Mogale City Local Municipality

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56. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements. The following employees did not declare interest in the state:

1. Noxolo Lungu Lesiela
2. Nontutuzelo Noxolo Thandeka (Tsengiwe) Ncana
3. Mulalo Joseph Nenzhelele
4. Lazarus Thabo Rabapane

Deviations from and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36(1)a(i): Emergency	17 108 565
Section 36(1)a(ii); Sole Service Provider	130 317
Section 36(1)a(v); Impractical to follow the normal SCM process	13 791 533
Section 36(1)(b) Ratify minor breaches	197 500
	31 227 915

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K(II) 8(10/2020)	Rental and Maintenance of chemical toilets as it is a basic need.	Supreme Sanitation	Section 36(1)a(i): Emergency	8 000 000
K(II)8(10/2020)	Maintenance of Enviro Loo toilets, to provide adequate sanitation services to various informal settlements.	Valoster 159 (Pty (Itd)	Section 36(1)a(i): Emergency	9 000 000
K(II)8(10/2020)	Purchase of Sanitizers.	Valoster 159	Section 36(1)a(i): Emergency	96 605
K(II)8(10/2020)	Provision of books for the law enforces	Rand Data	Section 36(1)a(i): Emergency	11 960
K(II) 2 (10/2019)	Calibration of five (5) alcohol test machines.	Dragger South Africa (Pty) Ltd	Section 36(1)a(ii); Sole Supplier	4 514
K(II) 2 (10/2019)	Precedure to publicize the property rates By-law, approved tariffs rates.	Government Printing Work	Section 36(1)(a)(ii): Sole Supplier	12 106
K(II)8(10/2020)	Repair of generator at civic centre as it was necessary during loadshedding.	Barloworld (Pty) Ltd	Section 36(1)(a)(ii):Sole Supplier	46 142
K(II) 2 (10/2019)	Ablution blocks at Coronation park & Munsieville cemetry.	Bituquip Constructions	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	3 600 000
K(II) 2 (10/2019)	Bio-reactor recycling pumps.	Tecroveer (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	66 585
K(II) 2 (10/2019)	Bio-reactor recycling pumps.	Tecroveer (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	81 340

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56. Supply Chain Management Regulations (continued)

	Procurement, supply, delivery and off-loading of manufactured uniformsband protected clothing..	Fg Uniform CC	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	1 311 719
K(II)8(10/2020)	Tommy martain Eagle Canyon Isuzu.	Isuzu Eagle Canyon Auto	Section 36(1)(a)(ii): Sole Supplier	37 755
K(II)8(10/2020)	Replacement of the down scrapers and centre bearing on the gelita primary	Mokonyane	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	86 250
K(II)8(10/2020)	To attend to the electrical and programmable logic controller problems , soft starter and VSD's at the biological nutrient removal unit.	Elektro Solution	Section 36(1)(a)(v): Impractical to follow the normal SCM process	59 365
K(II)8(10/2020)	Appointment for the Schneider electric refurbishing two VSD's aerator numbers 4 and 6 to replace two VSD's for aerator numbers 8 and 10 the activated sludge.	Schneider Electric	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	130 423
K(II)8(10/2020)	Request for purchase of mtorcycle driving testing equipment.	ANDIS	Section 36(1)(a)(ii): Sole Supplier	29 800
K(II)8(10/2020)	Portable drinking water.	Aqua Transport and Plant Hire and Twin M Plant Hire	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	6 400 000
K(II)8(10/2020)	Training/ Facilitation of the certificate program in the financial management development of the municipality.	WITS Business School	Section 36(1)(a)(v): Impractical to follow the normal SCM process	336 960
K(II)8(10/2020)	Deep cleaning of offices.	Kgiba Communications and Projects	Section 36(1)(a)(v): Impractical to follow the norma SCM process.	982 534
K(II)8(10/2020)	Items required urgently during COVID-19 lockdown.	Unicorn Safety	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	66 000
K(II)8(10/2020)	Items required urgently during COVID-19 lockdown.	Key Spirit Trading	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	151 800
K(II)8(10/2020)	Procurement of Cloth Mask	Lekwalo Trading	Section 36(1)(a)(v): Impractical to follow the normal SCM process.	178 000
K(II)8(10/2020)	Items required urgently during COVID-19 lockdown.	Lekonya Trading	Section 36(1)(a)(v): Impractical to follow the normal SCM process	178 500
	Items supplied at the wastewater treatment plant.	Phethekele Group	Section 36(1)(b)	197 500
K(II)8(10/2020)	Rotating assemblies inside the Gorman-Rupp Pumps at Flip Human Water Treatment works.	Gorman-Rupp African (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	162 057

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56. Supply Chain Management Regulations (continued)

57. Risk management

In rendering service delivery Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following financial risks:

Capital Risk Management
Financial Risk Management
Liquidity Risk Management
Interest Rate Risk
Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 19, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including 'current and non-current borrowings and finance liabilities' as shown in the statement of financial position). Total assets is calculated as 'total assets' as shown in the statement of financial position.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2019/20 financial year is 5%

The results of the gearing ratio as calculated in the 2019/20 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Review of long financial plan.
2. Implementation of revenue enhancement strategy
3. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
4. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.
5. Implementation of the financial turnaround strategy

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

There have been no changes to the way that the municipality manages its capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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57. Risk management (continued)

Total borrowings

Finance lease obligation	14	35 904 699	51 401 649
Financial liabilities	19	285 363 559	355 096 691
		321 268 258	406 498 340
Less: Cash and cash equivalents	5	98 336 387	60 674 286
Net debt		222 931 871	345 824 054
Total equity		5 296 567 680	5 276 193 586
Total capital		5 519 499 551	5 622 017 640

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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57. 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. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 3 loans, all of which are at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Financial instrument	2020	2019
Financial assets (note 12)	575 254	762 842
Receivables from non-exchange transactions (note 3)	198 843 687	154 441 628
Receivables from exchange transactions (note 4)	320 138 333	231 744 921
Call accounts money market accounts (note 5)	10 407 266	17 464 479
Cash and cash equivalents (note 5)	87 929 121	43 209 807

58. Events after the reporting date

Nature of event

On the 10 July 2020, a payment of R3 612 622.58 was made to Aqua Transport and Plant Hire, a service provider of the municipality for services rendered and on the 14 July 2020, a further payment of R5 464 014.31 was made to Aqua Transport and Plant Hire for services rendered. It subsequently came to the attention of the Municipality that these 2 payments had been paid into an alleged fraudulent bank account. A case was opened with the South African Police Service on the 17 July 2020 and is currently under investigation.

Financial Effect

Total paid into the alleged fraudulent account:	R9 076 636.89
Total subsequently recovered through the bank:	<u>(R8 209 704.85)</u>
Total not recovered:	<u>R 866 932.04</u>

59. Principal-Agent Arrangements

Municipality acting as the agent

Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	12 037 727	27 743 584
Revenue recognised as compensation for the transactions carried out on behalf of the principal	20 178 045	26 305 329
Expenditure paid or incurred on behalf of the principal	61 479 271	84 160 727
Receivables held on behalf of the principal		
Payables held on behalf of the principal		
Opening balance	27 743 584	20 116 434
Expenses incurred	61 479 271	84 160 727
Cash paid	(77 185 128)	(76 533 577)
Closing balance	12 037 727	27 743 584

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59. Principal-Agent Arrangements (continued)

Principal – Department of Roads and Transport in the Gauteng Provincial Government (Department)

Agent – Mogale City Local Municipality

The expected timing of the remittance of the resources from the municipality to the principal is on a monthly basis. The municipality receives a variable commission on revenue collected based on the rate stipulated by the Gauteng Provincial Treasury.

Description of the arrangement

In terms of the agreement, the municipality is assigned the Registering and Testing authority functions which includes the functions of Motor Vehicle Registration and Licensing and related functions, Driving license test centre functions and vehicle testing as a principal agent on behalf of the Department of Roads and Transport in the Gauteng Provincial Government.

Significant Terms and Conditions

The obligations of the municipality with respect to the collection of fees and the paying over of fees to the Provincial Government shall be in accordance with the Act (i.e. the Road Traffic Act No 29 of 1989, the National Road Traffic Act 93 of 1996, the National Road Traffic Regulations 2000, the Gauteng Provincial Road Traffic Act 10 of 1997, and the Provincial Road Traffic Circulars as may be amended from time to time), the Natis Financial Manual, Annex E to the Service Level Agreement and the Public Finance Management Act 1 of 1999 and in accordance with the Municipal Finance Management Act 56 of 2003.

Purpose of the relationship and significant risks

The purpose of the agreement is to enable the Department to provide greater access to clients to registering and testing functions through-out Mogale City in collaboration with the Municipality

The significant risks are fraud and corruption in the process.

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60. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

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

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 5 268 053 289 and that the municipality's total assets exceed its liabilities by R 5 296 567 680 .

The Municipality has the authority to levy rates or taxes these will enable the Municipality to be considered as a going concern even though Municipality is operating with the negative net assets for extended periods. During the 2019/20 financial year the municipality billed rates and service charges amounting to R 2 201 922 444

At 30 June 2020, the following liquidity ratios were measured in terms of MFMA circular 71. The norm on these liquidity ratios is 1.5:2.1. Management has concluded that the ability of the municipality to continue as a going concern is not at risk.

Current ratio	2020: 0.53	2019: 0.49
Cost coverage months	2020: 0.43 months	2019: 0.31 months