MBHASHE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

General Information

Legal form of entity	Mbhashe Local Municipality
Nature of business and principal activities	The Municipality is responsible for the following activities: - collection of rates in respect of property - refuse and solid waste removal - maintenance of access roads, storm water facilities and streetlights within its jurisdiction - traffic control, issue of learners licences and renewal of drivers licences
Mayoral committee	
Mayor	Ms N.O Mfecane
Speaker	Mr M.M Mcotsho
Members of the Executive Committee	Mr M.Noyila
	Mr M.Peter
	Miss X.O Willie
	Ms N.Stefana
	Mr F.Khekhetshe
	Ms N.Xhungu
	Mr D.T Tsengwa
	Mr M.Mbomvu
	Mr V.S.K Mbewu
Chief WHIP	Mr S.Hoyo
Councillors	Mr M.Jafta
	Mr A.Bambiso
	Mr P.D Methu
	Mr A.L Xana
	Ms N.Mlungu
	Ms C.N Buyeye
	Mr M.J Savu
	Miss N.Tswila
	Mr B.Jamnda
	Mr M.Ndinisa
	Mr M.Mapungu
	Mr M.Khwakhwi
	Mr T.Tshika
	Ms N.Janda
	Ms N.Mangaliso
	Mrs T.Mafanya
	Ms N.Sigcawu
	Mr X.A Zimba
	Mr M.T Nodliwa
	Mrs N.Magatya
	Mr B.Sigcawu
	Ms N.B Benya
	Mr S.Wulana
	Mrs N.N Nqwiliso
	Mrs G.Y Mhlathi
	Ms N.Lumkwana
	Mr P.Faniso
	Ms F.Mbiko
	Mr N.N Ndlodaka

General Information

	Miss N.V Nonjaca Mr M.Tetyana Mr M.Takani Ms X.P Baleni Ms Tyodana Ms N.Ncetani Ms N.M Mlandu Mr V.A Somana

During the financial period under review 16 Councillors left the council and 4 Councillors were sworn in. As at 30 June 2013, 12 vacancies exist within Council awaiting by-elections.

Grading of local authority	Grading 3
Chief Financial Officer	Mr. S Ndakisa
Accounting Officer	Adv O S Ngqele
Registered office	454 Steatfield Road Dutywa 5000
Postal address	P.O. Box 25 Dutywa 5000
Bankers	First National Bank (62231175953)
Auditors	Auditor-General of South Africa
Traditional Leaders	Mr S V Qothongo Mr S X Ndevu Mr S Nyendani Mr M P G Manxiwa Mr M A B Dumalisile Mr M Titshala Mr N Ngubechanti Mr B S Sigidi Mrs A N Sigcawu Mr F F Ndim Mr N W Zenani Mr M Sigcawu

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

Abbreviations

AFS	Annual Financial Statements
ASB	Accounting Standards Board
FMG	Financial Management Grant
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints. Salaries, allowances and benefits to public office bearers and councillors of the municipality were within the upper limits of the framework envisaged in Section 219 of the Constitution.

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 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 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Adv O S Ngqele
Acting Municipal Manager

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	2012
Assets			
Current Assets			
Receivables from non-exchange transactions	34	705 152	3 014 815
VAT receivable	3	4 433 318	1 929 823
Consumer debtors	4	599 280	577 913
Cash and cash equivalents	5	68 352 402	32 218 024
		74 090 152	**37 740 575**
Non-Current Assets			
Investment property	6	54 704 471	54 925 179
Property, plant and equipment	7	230 276 575	223 690 870
Intangible assets	8	453 952	230 022
Heritage assets	33	9	9
		285 435 007	**278 846 080**
Non-Current Assets		285 435 007	278 846 080
Current Assets		74 090 152	37 740 575
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**359 525 159**	**316 586 655**
Liabilities			
Current Liabilities			
Operating lease liability		21	5 008
Payables from exchange transactions	9	9 360 003	11 074 107
Unspent conditional grants and receipts	10	13 014 215	-
Provisions	11	269 643	-
Bank overdraft	5	-	5 096 709
		22 643 882	**16 175 824**
Non-Current Liabilities			
Non current operating lease liability		18 265	18 286
Retirement benefit obligation	12	1 630 218	1 380 767
Provisions	11	2 262 022	2 246 581
		3 910 505	**3 645 634**
Non-Current Liabilities		3 910 505	3 645 634
Current Liabilities		22 643 882	16 175 824
Liabilities of disposal groups		-	-
Total Liabilities		**26 554 387**	**19 821 458**
Assets		359 525 159	316 586 655
Liabilities		(26 554 387)	(19 821 458)
Net Assets		**332 970 772**	**296 765 197**
Net Assets			
Accumulated surplus		332 970 772	296 765 197

Statement of Financial Performance

Figures in Rand	Notes	2013	2012
Revenue			
Fines		619 629	520 850
Government grants & subsidies	14	165 886 695	162 253 629
Interest received		3 626 340	2 086 609
Other income	17	298 554	590 356
Licence and permits		973 431	923 714
Property rates	15	4 710 025	6 029 262
Rental of facilities and equipment		537 274	542 887
Service charges	16	916 485	916 188
Total revenue		**177 568 433**	**173 863 495**
Expenditure			
Personnel	19	(37 032 954)	(38 436 121)
Remuneration of councillors	20	(17 907 022)	(15 744 953)
Depreciation and amortisation	7	(30 326 761)	(28 885 481)
Finance costs	21	(599 625)	(33 286)
Debt impairment	22	(2 933 372)	(5 069 550)
Administrative and other expenditure	23	(51 421 589)	(55 830 018)
Total expenditure		**(140 221 323)**	**(143 999 409)**
		-	-
Total revenue		177 568 433	173 863 495
Total expenditure		(140 221 323)	(143 999 409)
Operating surplus		**37 347 110**	**29 864 086**
(Loss)/gain on disposal of assets and liabilities		(1 141 546)	549 440
Surplus before taxation		36 205 564	30 413 526
Taxation		-	-
Surplus for the year		**36 205 564**	**30 413 526**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	190 723 918	190 723 918
Correction of errors - refer to note 36.1	75 627 753	75 627 753
Balance at 01 July 2011 as restated	**266 351 671**	**266 351 671**
Changes in net assets		
Surplus for the year	30 413 526	30 413 526
Total changes	30 413 526	30 413 526
Balance at 01 July 2012	**296 765 208**	**296 765 208**
Changes in net assets		
Surplus for the year	36 205 564	36 205 564
Total changes	36 205 564	36 205 564
Balance at 30 June 2013	**332 970 772**	**332 970 772**

MBHASHE LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 509 994	4 767 698
Grants		165 886 695	162 253 629
Interest income		3 626 340	2 086 609
Other receipts		2 428 888	2 577 807
		174 451 917	171 685 743
Payments			
Employee costs		(54 939 976)	(54 181 074)
Suppliers		(39 591 942)	(53 162 076)
Finance costs		(599 625)	(33 286)
Other non cash items		271 197	(4 379 453)
		(94 860 346)	(111 755 889)
Total receipts		174 451 917	171 685 743
Total payments		(94 860 346)	(111 755 889)
Net cash flows from operating activities	31	**79 591 571**	**59 929 854**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(38 253 579)	(44 660 170)
Proceeds from sale of property, plant and equipment	7	239 270	549 440
Purchase of other intangible assets	8	(348 397)	(200 768)
Proceeds from sale of other intangible assets	8	2 222	-
Net cash flows from investing activities		**(38 360 484)**	**(44 311 498)**
Net increase in cash and cash equivalents		**41 231 087**	**15 618 356**
Cash and cash equivalents at the beginning of the year		27 121 315	11 502 959
Cash and cash equivalents at the end of the year	5	**68 352 402**	**27 121 315**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	456 860	-	**456 860**	916 485	**459 625**	
Rental of facilities and equipment	806 494	-	**806 494**	537 274	**(269 220)**	
Other income	9 367 599	13 290 828	**22 658 427**	298 554	**(22 359 873)**	
Interest received - investment	1 000 000	-	**1 000 000**	3 626 340	**2 626 340**	
Total revenue from exchange transactions	**11 630 953**	**13 290 828**	**24 921 781**	**5 378 653**	**(19 543 128)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5 533 920	-	**5 533 920**	4 710 025	**(823 895)**	
Licenses and permits	1 500 000	-	**1 500 000**	973 431	**(526 569)**	
Government grants & subsidies	178 527 622	240 000	**178 767 622**	165 886 695	**(12 880 927)**	
Transfer revenue						
Fines	601 954	-	**601 954**	619 629	**17 675**	
Total revenue from non-exchange transactions	**186 163 496**	**240 000**	**186 403 496**	**172 189 780**	**(14 213 716)**	
'Total revenue from exchange transactions'	11 630 953	13 290 828	**24 921 781**	5 378 653	**(19 543 128)**	
'Total revenue from non-exchange transactions'	186 163 496	240 000	**186 403 496**	172 189 780	**(14 213 716)**	
Total revenue	**197 794 449**	**13 530 828**	**211 325 277**	**177 568 433**	**(33 756 844)**	
Expenditure						
Personnel	(53 153 708)	(330 301)	**(53 484 009)**	(37 032 954)	**16 451 055**	
Remuneration of councillors	(17 874 255)	-	**(17 874 255)**	(17 907 022)	**(32 767)**	
Depreciation and amortisation	-	-	**-**	(30 326 761)	**(30 326 761)**	
Finance costs	-	-	**-**	(599 625)	**(599 625)**	
Debt impairment	-	-	**-**	(2 933 372)	**(2 933 372)**	
General Expenses	(65 190 112)	(8 556 331)	**(73 746 443)**	(51 421 589)	**22 324 854**	
Total expenditure	**(136 218 075)**	**(8 886 632)**	**(145 104 707)**	**(140 221 323)**	**4 883 384**	
	197 794 449	13 530 828	**211 325 277**	177 568 433	**(33 756 844)**	
	(136 218 075)	(8 886 632)	**(145 104 707)**	(140 221 323)	**4 883 384**	
Operating surplus	**61 576 374**	**4 644 196**	**66 220 570**	**37 347 110**	**(28 873 460)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 141 546)	**(1 141 546)**	
	61 576 374	4 644 196	**66 220 570**	37 347 110	**(28 873 460)**	
	-	-	**-**	(1 141 546)	**(1 141 546)**	
Surplus before taxation	**61 576 374**	**4 644 196**	**66 220 570**	**36 205 564**	**(30 015 006)**	
Deficit before taxation	61 576 374	4 644 196	**66 220 570**	36 205 564	**(30 015 006)**	
Taxation	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**61 576 374**	**4 644 196**	**66 220 570**	**36 205 564**	**(30 015 006)**	
Reconciliation						
VAT recovery budgeted for as revenue but allocated to VAT control				8 236 437		
Difference in revenue (rates and refuse) cash versus accrual basis of accounting				364 270		
Revenue over budgeted for				11 032 701		
Finance costs not budgeted for				599 625		
Expenditure budgeted for but not spent				(39 086 732)		
Other revenue budgeted for not collected				14 123 436		
Non cash movements						
Loss on disposal of assets				1 141 546		
Movement in debt impairment				2 933 372		
Depreciation for the year				30 326 761		
Increase in leave accrual				49 207		
Increase in bonus accrual				24 740		
Increase in provision for rehabilitation of landfill sites				269 759		
Other				(116)		
Actual Amount in the Statement of Financial Performance				**66 220 570**		

MBHASHE LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	-	-	**-**	705 152	**705 152**	
VAT receivable	-	-	**-**	4 433 318	**4 433 318**	
Consumer debtors	-	-	**-**	599 280	**599 280**	
Cash and cash equivalents	-	-	**-**	68 352 402	**68 352 402**	
	-	**-**	**-**	**74 090 152**	**74 090 152**	
Non-Current Assets						
Investment property	-	-	**-**	54 704 471	**54 704 471**	
Property, plant and equipment	61 226 374	4 946 497	**66 172 871**	230 276 575	**164 103 704**	
Intangible assets	350 000	28 000	**378 000**	453 952	**75 952**	
Heritage assets	-	-	**-**	9	**9**	
	61 576 374	**4 974 497**	**66 550 871**	**285 435 007**	**218 884 136**	
Non-Current Assets	-	-	**-**	74 090 152	**74 090 152**	
Current Assets	61 576 374	4 974 497	**66 550 871**	285 435 007	**218 884 136**	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	**-**	-	**-**	
Total Assets	**61 576 374**	**4 974 497**	**66 550 871**	**359 525 159**	**292 974 288**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	**-**	21	**21**	
Payables from exchange transactions	-	-	**-**	9 359 989	**9 359 989**	
Unspent conditional grants and receipts	-	-	**-**	13 014 215	**13 014 215**	
Provisions	-	-	**-**	269 643	**269 643**	
	-	**-**	**-**	**22 643 868**	**22 643 868**	
Non-Current Liabilities						
Operating lease liability	-	-	**-**	18 265	**18 265**	
Retirement benefit obligation	-	-	**-**	1 630 218	**1 630 218**	
Provisions	-	-	**-**	2 262 022	**2 262 022**	
	-	**-**	**-**	**3 910 505**	**3 910 505**	
	-	-	**-**	22 643 868	**22 643 868**	
	-	-	**-**	3 910 505	**3 910 505**	
	-	-	**-**	-	**-**	
Total Liabilities	**-**	**-**	**-**	**26 554 373**	**26 554 373**	
Assets	61 576 374	4 974 497	**66 550 871**	359 525 159	**292 974 288**	
Liabilities	-	-	**-**	(26 554 373)	**(26 554 373)**	
Net Assets	**61 576 374**	**4 974 497**	**66 550 871**	**332 970 786**	**266 419 915**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	61 576 374	4 974 497	**66 550 871**	332 970 786	**266 419 915**	

Accounting Policies

1. Presentation of Financial Statements

Statement of compliance

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

Basis of measurement

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The principal accounting policy adopted and the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

1.1 Reporting entity

Mbhashe Local Municipality ("the municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape.

1.2 Judgements, assumptions and estimates

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:

- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions relating to available permitted airspace, airspace utilization factor and waste acceptance rate.
- Assessment of conditions related to unspent grants. Management must exercise judgement in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgement when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.
- Intangible assets. Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Amounts are rounded off to the nearest Rand.

Going concern assumption

These annual financial statements have been prepared on a going concern basis.

Comparative information

1.2 Judgements, assumptions and estimates (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated as indicated in note 35 . The nature and reason for the re-classification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.3 Property, plant and equipment

Initial Recognition

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, residual values or depreciation methods they are accounted for as separate items (major components) of property, plant and equipment for the purposes of calculating depreciation. This is also done for recognition purposes where each component is recognised separately. The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

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

Where an asset is acquired at no cost, or for a nominal cost (i.e. a non-exchange transaction) its cost is deemed to be equal to the fair value of the asset.

Subsequent Measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Useful lives, residual values and depreciation methods are reassessed annually and changes are accounted for as a change in estimate. Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current Assets Held for Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

The annual depreciation rates are based on the following estimated average asset lives:

Asset category	**Average useful life**
Plant and machinery	7 years
Furniture and fixtures	5 years
Motor vehicles (Note)	3 - 15 years
IT equipment	3 - 5 years
Tar Roads	10 - 30 years
Gravel access roads	3 - 10 years
Street lights	10 years
Buildings and community assets	40 years

(Note: Useful life of 15 years relates to heavy duty refuse and construction vehicles)

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

Heritage assets

If an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements

1.4 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If the has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

An intangible asset with an indefinite useful life shall not be amortised.

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

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

1.4 Intangible assets (continued)

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of an item of an asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. The cost of an asset acquired in a non-exchange transition is its fair value as at date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Intangible assets with indefinite useful lives are reviewed annually for impairment by comparing its recoverable amount and recoverable service amount, as appropriate, with its carrying amount.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software - 3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in surplus or deficit.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

1.5 Investment property

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

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

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

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

1.5 Investment property (continued)

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost (as defined for property, plant and equipment) including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement and derecognition - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rate is 40 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial instrument at fair value
- Financial instruments at amortised cost
- Financial instrument at cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition

A financial assets/ financial liability shall be recognised in the statement of financial position when, and only when the municipality becomes a party to the contractual provisions of instrument.

Initial measurement financial assets and financial liabilities

When a financial asset/liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset/liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

Subsequent measurement of financial assets and financial liabilities

The municipality shall measure all financial assets/liabilities after initial recognition using the following categories:
- financial instruments at fair value
- financial instruments at amortised cost
- financial instruments at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review in terms of GRAP 104.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

1.6 Financial instruments (continued)

Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

Financial liabilities consist of trade payables and are initially measured at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires, is settled or waived, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party, except where the municipality approves the write-off of financial assets due to non-recoverability.

Financial liabilities

A financial liability is derecognised when and only when the financial liability is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

A financial asset, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective asset level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.7 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.9 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.11 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.12 Leases

Municipality as lessor

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

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

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

Municipality as lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Value add tax

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

1.14 Revenue from exchange transactions

Revenue from exchange transactions includes revenue from service charges, rental of facilities and equipment, other income and interest received on investments.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. 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.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer.

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 tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Interest income is recognised using the effective interest rate method.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised as a receivable when the definition and recognition criteria of an asset have been met.

Accounting Policies

1.16 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue when received by the entity.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant. If the compliance with the restrictions have not been met, the revenue is deferred and recognised as a liability

Interest earned on investments arising from grants is recognised as interest earned in surplus or deficit.

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

1.17 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

The municipality has an unfunded defined benefit plan that relates to long service awards.

1.18 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets includes.
- The assets ability to generate significant cash flows; and
- The degree to which it is utilised to generate commercial returns.

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit.

An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exist, the entity shall estimate the recoverable service amount of that asset.

1.19 Events after reporting date

The municipality discloses, for each material category of non-adjusting events after reporting date, the nature of the event and an estimation of its financial effect (if possible to estimate).

Accounting Policies

1.20 Change in accounting estimate

The effect of a change in an accounting estimate shall be recognised prospectively by including it in surplus or deficit in:
- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an itemof net asse
it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net asset in the period of the change.

Notes to the Financial Statements

Figures in Rand	2013	2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9. GAMAP 9 relates to the Standards of Generally Accepted Municipal Accounting Practice relating to revenue, which was implemented prior to the issue of the new Standards of Generally Recognised Accounting Practice relating to revenue. Due to the nature of the non-exchange revenue received by the municipality, the impact of implementing GRAP 23 was not significant.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Although the municipality currently presents budget information in terms of legislation, additional disclosure was required in terms of GRAP 24. The standard did however not impact the measurement of figures presented in the annual financial statements will only resulted, in additional detail being disclosed in relation to the budget.

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 103: Heritage Assets	01 April 2012	The municipality does not have a significant heritage assets portfolio however due to the nature of the assets the municipality was not able to reliably measure the cost thereof. Accordingly, the heritage assets have been measured at a nominal cost of R1 and the relevant disclosure provided.
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	The municipality has phased out the transitional provisions as provided in Directive 4, accordingly the impact of implementing GRAP 21 was not significant.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	The municipality does not hold cash generating assets and accordingly the standard did not have an impact.
• GRAP 104: Financial Instruments	01 April 2012	No material impact was experienced on the measurement of financial instruments as the measurement basis of the municipality's financial instruments remained unchanged (i.e. at amortised cost and at fair value).

Notes to the Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Additional disclosure will be required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities.
• GRAP 25: Employee benefits	01 April 2013	Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2010/11 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes. The main impact appears to be from a disclosure perspective as the municipality does not participate in defined benefit schemes.
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 107: Mergers	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.

2. New standards and interpretations (continued)

• GRAP 20: Related parties	01 April 2013	The Municipality will be required to enhance the processes required to identify, track and report on related party transactions. Limited information regarding related party transactions is currently reported in the Annual Financial Statements.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 12 (as revised 2012): Inventories	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 13 (as revised 2012): Leases	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• IGRAP16: Intangible assets website costs	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.

Notes to the Financial Statements

Figures in Rand	2013	2012

3. VAT receivable

VAT refund due from SARS	4 433 318	1 929 823

The municipality is registered for VAT on the payment basis. VAT is claimed from / paid to SARS only once payment is made to suppliers or cash is collected on vatable supplies.

4. Consumer debtors

Gross balances		
Rates	20 628 233	18 300 775
Refuse	4 186 144	3 590 918
	24 814 377	**21 891 693**
Less: Allowance for impairment		
Consumer debtors impairment	(24 215 097)	(21 313 780)
Net balance		
Rates	20 628 233	18 300 775
Refuse	4 186 144	3 590 918
Provision for debt impairment	(24 215 097)	(21 313 780)
	599 280	**577 913**
Included in above is receivables from exchange transactions		
Refuse	4 186 144	3 590 918
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	20 628 233	18 300 775
Gross balance	**24 814 377**	**21 891 693**
Rates		
Current (0 -30 days)	424 428	537 252
31 - 60 days	413 195	532 080
61 - 90 days	398 680	528 165
91 - 120 days	19 391 930	16 703 278
	20 628 233	**18 300 775**
Refuse		
Current (0 -30 days)	74 662	71 170
31 - 60 days	71 095	71 067
61 - 90 days	70 456	70 468
91 - 120 days	3 969 931	3 378 213
	4 186 144	**3 590 918**
Impairment		
Consumer debtors impairment	(24 215 097)	(21 313 780)

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	259 211	331 643
31 - 60 days	258 021	330 464
61 - 90 days	257 979	329 486
91 - 120 days	16 227 933	13 544 617
	17 003 144	14 536 210
Less: Provision for doubtful debts	(16 742 744)	(14 157 477)
	260 400	**378 733**
Industrial/ commercial		
Current (0 -30 days)	137 210	167 803
31 - 60 days	133 833	167 045
61 - 90 days	124 618	164 417
91 - 120 days	6 074 142	5 502 872
	6 469 803	6 002 137
Less: Provision for doubtful debts	(6 355 278)	(5 819 760)
	114 525	**182 377**
National, provincial and local government		
Current (0 -30 days)	31 001	27 853
31 - 60 days	20 808	24 516
61 - 90 days	14 947	23 625
91 - 120 days	1 274 675	1 277 353
	1 341 431	1 353 347
Less: Provision for doubtful debts	(1 117 075)	(1 336 542)
	224 356	**16 805**
Total		
Current (0 -30 days)	427 422	527 298
31 - 60 days	412 662	522 024
61 - 90 days	397 544	517 529
91 - 120 days	23 576 749	20 324 842
	24 814 377	21 891 693
Less: Allowance for impairment	(24 215 097)	(21 313 780)
	599 280	**577 913**
Less: Provision for debt impairment		
Consumer debtors impairment	(24 215 097)	(21 313 780)
Reconciliation of debt impairment provision		
Balance restated at beginning of the year	(21 313 780)	(16 380 914)
Contributions to provision - Statement of Financial Performance	(2 901 317)	(4 932 866)
	(24 215 097)	**(21 313 780)**

Figures in Rand	2013	2012

5. Cash and cash equivalents

Cash at bank	8 320 742	-
Call Investment deposits	60 031 660	32 218 024
	68 352 402	32 218 024
Bank overdraft	-	(5 096 709)
	68 352 402	**27 121 315**

Current assets	68 352 402	32 218 024
Current liabilities	-	(5 096 709)
	68 352 402	**27 121 315**

5. Cash and cash equivalents (continued)

The municipality had the following bank and investment accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank Limited - Account Number 4048384454	-	-	2 616 782	(1 139 769)	(1 176 496)	1 523 723
First National Bank Limited - Account Number 62231175953	9 677 585	4 078 277	1 819 447	9 460 514	(3 920 209)	(2 634 684)
First National Bank Limited - Account Number 62231177280 (FMG)	-	-	413 590	-	-	413 590
First National Bank Limited - Account Number 62231176935 (MSIG)	-	-	590 428	-	-	590 428
ABSA Bank Limited - Account Number 4054446052	-	-	29 650	-	-	29 650
Standard Bank Limited - Account Number 280775954	1 751 719	1 752 350	1 436 978	1 751 719	1 752 350	1 436 978
Standard Bank Limited - Account Number 280763921	-	-	11 356	-	-	11 356
ABSA Bank Limited - Account Number 9056683798	-	-	67 788	-	-	67 788
ABSA Bank Limited - Account Number 9059705408	-	-	647 236	-	-	647 236
ABSA Bank Limited - Account Number 9056533262	-	-	6 494	-	-	6 494
ABSA Bank Limited - Account Number 9056685669	-	-	2 877	-	-	2 877
ABSA Bank Limited - Account Number 9057376730	-	-	103 904	-	-	103 904
ABSA Bank Limited - Account Number 9056617880	-	-	15 205	-	-	15 205
ABSA Bank Limited - Account Number 9057233364	618 715	601 753	582 484	618 715	601 753	582 484
ABSA Bank Limited - Account Number 9056533115	40 307	39 387	38 336	40 307	39 387	38 336
ABSA Bank Limited - Account Number 9061831536	-	-	3 523	-	-	3 523
ABSA Bank Limited - Account Number 9092743314	-	-	308 744	-	-	308 744
ABSA Bank Limited - Account Number 9092743005	-	-	533 466	-	-	533 466
ABSA Bank Limited - Account Number 9092742368	-	-	792 138	-	-	792 138
ABSA Bank Limited - Account Number 9057228882	-	-	27 791	-	-	27 791
ABSA Bank Limited - Account Number 9057225135	-	-	464 827	-	-	464 827
ABSA Bank Limited - Account Number 9057252990	-	-	142 178	-	-	142 178
ABSA Bank Limited - Account Number 9056686013	-	-	240 358	-	-	240 358
ABSA Bank Limited - Account Number 9110890209	-	-	1 259 273	-	-	1 259 273
Standard Bank Limited Account Number 38 873 187 7	-	-	298 698	-	-	298 698
First National Bank Limited - Account Number 62015966099	5 700	5 643	5 587	5 700	5 643	5 587
ABSA Bank Limited - Account Number 9205591041	1 562 565	1 515 219	1 730 633	1 562 565	1 515 219	1 730 633

5. Cash and cash equivalents (continued)

Account number / description (Continued)	Bank statement balances			Cash book balances		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
ABSA Bank Limited - Account Number 9065656825	-	-	191	-	-	191
First National Bank Limited - Account Number 62231177769	8 614 656	5 285 761	804 144	8 614 656	5 285 761	804 144
First National Bank Limited - Account Number 62231195323	85 194	83 331	780 543	85 194	83 331	780 543
ABSA Bank Limited - Account Number 9100317908	163 184	6 750 201	335 029	163 184	6 750 201	335 029
First National Bank - Account Number 6223280487	683 578	668 917	651 395	683 578	668 917	651 395
ABSA Bank Limited - Account Number 9110889747	279 574	279 295	279 015	279 574	279 295	279 015
Standard Bank Limited - Account Number 388732180	-	-	5 325	-	-	5 325
First National Bank - Account Number 74321424942	46 226 468	15 236 167	-	46 226 468	15 236 167	-
Total	**69 709 245**	**36 296 301**	**17 045 413**	**68 352 405**	**27 121 319**	**11 498 223**

Note 10 "Unspent conditional grants" reflects details as to which bank accounts are used for the various grants.

First National Bank Limited - Account Number 62231175953 is the municipality's primary bank account.

6. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	57 457 000	(2 752 529)	54 704 471	57 457 000	(2 531 821)	54 925 179

Reconciliation of investment property - 2013

	Opening balance	**Depreciation**	**Total**
Investment property	54 925 179	(220 708)	54 704 471

Reconciliation of investment property - 2012

	Opening balance	**Accumulated depreciation and accumulated impairment**	**Total**
Investment property	55 146 091	(220 912)	54 925 179

Rental income and operating expenditure relating to investment property was identified as not being material. As such these amounts have not been separately disclosed.

7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	33 943 305	(8 238 757)	25 704 548	34 068 600	(7 516 887)	26 551 713
Plant and machinery	2 674 068	(1 217 257)	1 456 811	2 670 286	(1 186 549)	1 483 737
Furniture and fixtures	1 997 459	(1 109 682)	887 777	2 449 866	(1 160 680)	1 289 186
Motor vehicles	9 368 306	(3 419 685)	5 948 621	6 824 163	(2 821 711)	4 002 452
IT equipment	1 870 263	(1 083 044)	787 219	2 242 051	(1 202 099)	1 039 952
Infrastructure and community assets	250 705 903	(131 810 091)	118 895 812	238 967 519	(104 519 167)	134 448 352
Landfill site	2 216 046	(27 705)	2 188 341	2 216 046	(18 470)	2 197 576
Streetlights and electrification	6 028 780	(2 008 839)	4 019 941	5 384 487	(1 465 021)	3 919 466
WIP	70 387 505	-	70 387 505	48 758 436	-	48 758 436
Total	**379 191 635**	**(148 915 060)**	**230 276 575**	**343 581 454**	**(119 890 584)**	**223 690 870**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	26 551 713	376 705	(502 000)	-	(721 870)	-	25 704 548
Plant and machinery	1 483 737	440 457	(189 513)	-	(277 870)	-	1 456 811
Furniture and fixtures	1 289 186	91 531	(263 581)	-	(270 346)	40 987	887 777
Motor vehicles	4 002 452	3 086 901	(177 810)	-	(962 922)	-	5 948 621
IT equipment	1 039 952	246 239	(247 912)	-	(266 039)	14 979	787 219
Infrastructure and community assets	134 448 352	-	-	11 738 384	(27 290 924)	-	118 895 812
Landfill site	2 197 576	-	-	-	(9 235)	-	2 188 341
Streetlights and electrification	3 919 466	644 293	-	-	(543 818)	-	4 019 941
WIP	48 758 436	33 367 453	-	(11 738 384)	-	-	70 387 505
	223 690 870	**38 253 579**	**(1 380 816)**	**-**	**(30 343 024)**	**55 966**	**230 276 575**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Land and Buildings	27 179 241	89 000	-	(716 528)	26 551 713
Plant and machinery	1 266 933	511 795	-	(294 991)	1 483 737
Furniture and fixtures	1 363 560	251 265	-	(325 639)	1 289 186
Motor vehicles	3 262 362	1 457 225	-	(717 135)	4 002 452
IT equipment	1 160 283	246 860	-	(367 191)	1 039 952
Infrastructure and community assets	123 308 932	522 571	36 238 186	(25 621 337)	134 448 352
Landfill site	2 206 699	-	-	(9 123)	2 197 576
Streetlights and electrification	3 958 859	477 193	-	(516 586)	3 919 466
WIP	43 892 361	41 104 261	(36 238 186)	-	48 758 436
	207 599 230	**44 660 170**	**-**	**(28 568 530)**	**223 690 870**

8. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	734 568	(280 616)	453 952	388 393	(158 371)	230 022

Reconciliation of intangible assets - 2013

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Impairment loss**	**Total**
Computer software	230 022	348 397	(2 222)	(124 341)	2 096	453 952

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	125 180	200 768	(95 926)	230 022

Figures in Rand	2013	2012

9. Payables from exchange transactions

Trade payables	2 241 393	5 001 912
Debtors with credit balances	443 287	1 138 983
Accrued leave pay	3 359 892	3 310 685
Accrued bonus	633 165	608 425
Contract retentions	2 044 684	529 022
Other creditors	637 582	485 080
	9 360 003	**11 074 107**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	12 014 215	-
Expanded Public Works Program (EPWP) (FNB - 62231175953)	1 000 000	-
	13 014 215	**-**

Movement during the year

Balance at the beginning of the year	-	245 312
Current year receipts	58 100 000	55 779 000
Conditions met - transferred to revenue	(45 085 785)	(56 024 312)
	13 014 215	**-**

Reconciliations pertaining to EPWP and MIG grants are included as part of Note 14 "Government grants and subsidies".

11. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	2 246 581	15 441	2 262 022
Other provisions	-	269 643	269 643
	2 246 581	**285 084**	**2 531 665**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	2 231 256	15 325	2 246 581

Analysis of provisions:

	2013	2012
Non-current liabilities	2 262 022	2 246 581
Current liabilities	269 643	-
	2 531 665	**2 246 581**

Environmental rehabilitation provision

The environmental rehabilitation provision is based on the following assumptions:
- available permitted airspace
- airspace utilisation factor
- waste acceptance rate

The landfill site lifespan expectancy from the end of the financial year is expected to be the following:
- Idutywa 83 years
- Elliotdale 250 years

There is uncertainty around:
- Timing of when the sites will be rehabilitated
- Total actual costs to undertake the rehabilitation

12. Employee benefit obligations

Defined benefit plan

The municipality has an unfunded defined benefit plan that relates to long service awards.

An actuarial valuation was performed using generally accepted actuarial principles

The reporting entity and those charged with the governance of the entity are responsible for determining the assumption used in valuations of this nature and should give evidence of their approval of the assumptions.

The disclosure shown below assumes that actuarial gain and losses are recognised immediately as required in terms of GRAP 25.

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

	2013	2012
Carrying value		
Long service award	(1 630 218)	(1 380 767)

Figures in Rand	2013	2012

12. Employee benefit obligations (continued)

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

Opening balance	1 380 767	1 208 650
Service cost	228 181	214 780
Interest cost	102 682	95 148
Benefits paid	(222 648)	(169 345)
Actuarial loss	141 236	31 534
	1 630 218	**1 380 767**

Valuation assumptions

Other assumptions

All staff members retire at age 65. No allowance is made for early retirement either due to ill health or at the option of the member.

Economic assumptions

Discount rates used	7,75 %	7,77 %
Salary escalation rate	6,25 %	5,77 %

The above discount rates have been based on market indicators at each year end. For 2013 the rate is based on market yields on government bonds as at the end of June 2013 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation.

For the purposes of the valuation the difference between the discount rate and the salary inflation rate is more significant than the individual items. The gap of 1.5% applied in 2013 is consistent with rates generally used in the market for the valuation of benefits of this nature. For the 2012 and 2011 valuations a constant 2% gap has been used. The reduction in 2013 reflects market experience in a narrowing of real yields

The results of the valuation are sensitive to the assumptions chosen.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA health

These contributions have been expensed.

Figures in Rand	2013	2012

13. Revenue

Service charges	916 485	916 188
Rental of facilities and equipment	537 274	542 887
Other income	298 554	590 356
Interest received - investment	3 626 340	2 086 609
Property rates	4 710 025	6 029 262
Licences and permits	973 431	923 714
Government grants & subsidies	165 886 695	162 253 629
Fines	619 629	520 850
	177 568 433	**173 863 495**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	916 485	916 188
Rental of facilities and equipment	537 274	542 887
Other income	298 554	590 356
Interest received - investment	3 626 340	2 086 609
	5 378 653	**4 136 040**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4 710 025	6 029 262
Licence and permits	973 431	923 714
Transfer revenue		
Government grants & subsidies	165 886 695	162 253 629
Fines	619 629	520 850
	172 189 780	**169 727 455**

14. Government grants and subsidies

Equitable share	120 099 000	105 238 000
Municipal System Improvement Grant	800 000	790 000
Integrated Electrification Programme	15 000 000	20 680 000
Finance Management Grant	1 500 000	1 745 312
Other government grants	701 910	807 453
Municipal Infrastructure Grant	27 785 785	32 809 000
IDP Funding	-	183 864
	165 886 695	**162 253 629**

Finance Management Grant

Balance unspent at beginning of year	-	245 312
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 745 312)
	-	**-**

The Financial Management Grant is a conditional grant. The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA reforms including budgeting, reporting and financial processes.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	39 800 000	32 809 000
Conditions met - transferred to revenue	(27 785 785)	(32 809 000)
	12 014 215	**-**

The Municipal Infrastructure Grant is a conditional grant, the purpose of which is provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of basic infrastructure for the poor. It is part of government's overall strategy to eradicate poverty and to create conditions for local economic development. The Municipality utilises these funds to primarily fund access roads and related infrastructure.

Municipal Systems Improvement Grant

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	**-**

The Municipal Systems Improvement Grant is a conditional grant. The purpose of the MSIG is to support municipalities in building in-house capacity in terms of systems focusing on Local and Economic Development; financial viability, institutional development and good governance.Provide explanations of conditions still to be met and other relevant information.

EPWP

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	-	-
	1 000 000	**-**

The Expanded Public Works Programme (EPWP) is a conditional grant and is one of government's short-to-medium term programmes aimed at alleviating and reducing unemployment. The EPWP will achieve this aim through the provision of work opportunities coupled with training.

Figures in Rand	2013	2012

14. Government grants and subsidies (continued)

Integrated Electrification Programme

Current-year receipts	15 000 000	20 680 000
Conditions met - transferred to revenue	(15 000 000)	(20 680 000)
	-	-

The Integrated Electrification Programme is a conditional grant. The purpose of the Integrated Electrification Programme Grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme.

15. Property rates

Rates received

Consumers	4 710 025	6 029 262

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Valuations processed on an annual basis take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.014 (2012: R 0.02) is applied to residential property valuations to determine assessment rates.
A general rate of R 0.016 (2012: R 0.02) is applied to business property valuations to determine assessment rates.
A general rate of R 0.018 (2012: R 0.03) is applied to government property valuations to determine assessment rates.

16. Service charges

Refuse removal	916 485	916 188

17. Other income

Administration Fees	129 355	96 015
Building Plans	84 589	126 532
Burial and cemetery	2 794	4 709
Chair Hire	445	785
Public Toilets	35 621	26 482
Pound Fees	33 460	58 283
Sundry income	12 290	277 550
	298 554	**590 356**

18. Interest received - external investments

Interest revenue		
Interest on bank accounts and investment balances	3 626 340	2 086 609
	-	-
	3 626 340	2 086 609

Figures in Rand	2013	2012

19. Employee related costs

Basic	27 636 351	29 595 628
Bonus (13th cheque) and long service awards	1 348 290	1 233 215
Medical aid - company contributions	1 389 104	1 357 465
Unemployment Insurance Fund	221 669	239 382
Workmens Compensation	-	470
Skills Development Levy	304 418	-
Leave pay provision charge	207 192	1 094 237
Bargaining council contributions	8 915	5 180
Post-employment benefits	3 183 842	2 772 552
Travel, motor car, accommodation, subsistence and other allowances	574 247	843 298
Overtime payments	1 126 625	675 189
Long-service awards	249 451	172 117
Housing benefits and allowances	307 111	344 555
Casual wage employment	426 530	87 220
Stand by Allowances	49 209	15 613
	37 032 954	**38 436 121**

Remuneration of Municipal Manager

Annual remuneration	291 539	500 093
Backpay	14 655	25 925
Contributions to UIF, Medical and Pension Funds	57 362	111 488
Travel, motor car, accommodation, subsistence and other allowance	97 973	136 666
Acting allowance	240 118	-
Lump sum payment	1 200 000	-
	1 901 647	**774 172**

Mr M Somana was a Municipal Manager from July to November 2012, Mr Dumezweni was appointed as Acting Municipal Manager for the period November 2012 to March 2013 and Adv O S Ngqele was seconded from the Departmend of Local Government and Traditional Affairs as Acting Municipal Manager until such time as a permanent Municipal Manager is appointed.

Mr Somana was paid a settlement package of R1 200 000 during the year.

Remuneration of Chief Finance Officer

Annual remuneration	335 291	256 690
Backpay	12 317	37 023
Bonus	25 654	22 025
Acting allowance	289 467	391 550
Travel, motor car, accommodation, subsistence and other allowance	77 180	10 578
Contributions to UIF, Medical and Pension Funds	65 163	50 269
Leave pay	62 560	-
	867 632	**768 135**

The Acting Chief Financial Officer, Mr S Ndakisa, was appointed as the Chief Financial Officer on 15 February 2013

Remuneration of Community Services Manager

Annual remuneration	363 529	395 259
Backpay	11 059	36 650
Travel, motor car, accommodation, subsistence and other allowance	153 002	215 591
Contributions to UIF, Medical and Pension Funds	87 322	94 445
Leave pay	11 783	-
Acting allowance	136 422	-
	763 117	**741 945**

19. Employee related costs (continued)

The Acting Community Services Manager, Mr M Mtongana, was appointed as the Community Services Manager on 15 February 2013

Remuneration of Acting Human Resources and Administration Manager

	2013	2012
Annual Remuneration	290 516	262 856
Backpay	12 450	46 975
Bonus	24 020	20 743
Acting Allowance	437 591	362 489
Travel, motor car, accommodation, subsistence and other allowance	26 242	26 249
Contributions to UIF, Medical and Pension Funds	91 704	49 357
	882 523	**768 669**

Remuneration of Acting Technical Service Manager

	2013	2012
Annual Remuneration	265 970	233 776
Backpay	87 341	42 888
Acting Allowance	437 591	391 550
Travel, motor car, accommodation, subsistence and other allowance	116 800	118 729
Contributions to UIF, Medical and Pension Funds	69 073	38 672
	976 775	**825 615**

Remuneration of Acting Local Economic Development Manager

	2013	2012
Annual Remuneration	157 255	294 945
Backpay	-	29 986
Travel, motor car, accommodation, subsistence and other allowance	-	134 613
Contributions to UIF, Medical and Pension Funds	46 679	149 697
Bonus	22 481	-
Acting allowance	259 217	-
	485 632	**609 241**

Remuneration of Acting Land and Housing Manager

	2013	2012
Annual Remuneration	326 498	395 259
Backpay	11 301	36 650
Acting Allowance	259 217	-
Travel, motor car, accommodation, subsistence and other allowance	153 422	185 734
Contributions to UIF, Medical and Pension Funds	70 441	79 272
	820 879	**696 915**

Mr S Dumezweni's portfolio was Land and Housing for the period July to October 2012, Mr L Qunta was appointed as Acting Manager for the period December 2012 to June 2013.

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Remuneration of councilors

Council remuneration and allowances	17 907 022	15 744 953

Analysis of council remuneration		
Mayor	715 155	622 929
Speaker	493 305	505 895
Traditional leaders	189 352	630 909
Executive committee members	2 575 592	2 958 012
Councillors	7 321 105	9 369 441
Councillors allowances	3 603 545	1 657 767
Ward committee remuneration	3 008 968	-
	17 907 022	**15 744 953**

21. Finance costs

Interest paid on trade and other payables	584 184	17 958
Interest paid on bank account	-	3
Rehabilitation of landfill sites	15 441	15 325
	599 625	**33 286**

Included in the R584 184 relating to interest paid on trade and other payables is an amount of R566 142 relating to interest incurred on various outstanding tax matters that was settled in the current financial year. This amount is included in the R2 438 068 reported as fruitless/wasteful expenditure in Note 27

Figures in Rand	2013	2012

22. Debt impairment

Contributions to debt impairment provision - consumer and staff debtors	2 933 372	5 069 550

The debt impairment amount consists of the following:		
Consumer debtors	2 828 226	4 849 376
Sundry debtors	105 146	-
Staff debtors	-	220 174
	2 933 372	**5 069 550**

23. Administrative and other expenditure

Advertising	378 638	308 342
Bank charges	150 518	357 472
Audit committee fees	542 396	678 123
Auditors remuneration	2 224 025	1 856 978
Cleaning	430 953	398 147
Community development and public participation	710 114	375 253
Conferences and seminars	1 088 159	2 040 090
Consumables	60 120	21 952
Donations	401 512	204 616
Electricity	444 981	491 942
Entertainment	719 990	558 526
Equipment and plant hire	552 420	143 694
Penalties	1 908 019	-
Fuel and oil	1 077 870	915 699
IT expenses	158 789	131 576
Indigent support	2 013 853	7 981 815
Insurance	181 106	229 078
Lease rentals on operating lease	1 189 484	658 133
Legal expenses	2 374 074	1 721 951
Magazines, books and periodicals	113 506	52 691
Motor vehicle expenses	56 517	92 512
Other expenses	7 319 719	10 184 192
Postage and courier	6 702	4 478
Printing and stationery	652 338	1 013 016
Professional fees	1 044 806	1 526 439
Projects	8 694 291	7 426 076
Promotions and Branding	100 000	-
Protective clothing	358 564	299 807
Refuse	173 995	150 415
Repairs and maintenance	6 236 407	6 351 338
Security	1 619 617	2 078 144
Software expenses	378 786	509 036
Special programme	750 252	509 112
Subscriptions and membership fees	877 637	670 630
Telephone and fax	1 696 994	1 494 790
Tourism development	508 351	-
Training	1 503 897	2 158 050
Travel - local	1 831 437	1 078 866
Water	890 752	1 157 039
	51 421 589	**55 830 018**

Figures in Rand	2013	2012

24. Commitments

Authorised capital expenditure

Approved and contracted for		
• Infrastructure	13 930 414	36 102 830
• Community	5 471 386	4 074 182
	19 401 800	**40 177 012**

Comparative period figures have been restated due to the revised approach being implemented with regards to the preparation of the commitment register.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	800 195	863 971
- within two to five years	766 772	1 566 967
	1 566 967	**2 430 938**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. No contingent rental is payable.

The municipality is party to four operating lease commitments. The majority of the lease commitment relates to a lease of photocopiers for 36 months with no escalation clause. The balance of the remaining lease commitment relates to leases of photocopiers for 60 months with an annual escalation of 10%.

25. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

Related party balances

Municipal accounts - Owed by councillors		
Quvile N (Councillor up to and including March 2013)	44 199	40 321
Jafta MS	72 742	57 810
Nonjaca NV (payment arrangement entered into with the municipality)	12 697	-
N Lumkwana	7 223	-

Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction. These services include rates and refuse charges.

The services rendered to related parties are charged at approved tariffs that were advertised to the general public. Amounts outstanding are unsecured and will be settled in cash.

Figures in Rand	2013	2012

26. Unauthorised expenditure

Opening balance	1 655 555	3 780 393
Unauthorised expenditure current year - non cash item	33 260 133	1 655 555
Unauthorised expenditure approved by council in the current year	-	(3 780 393)
	34 915 688	**1 655 555**

Description of incident	**Steps taken**	
Depreciation, non cash item and has not been budgeted for	The matter is still under review by management	30 326 761
Debt impairment, non cash item and has not been budgeted for	The matter is still under review by management	2 933 972
		33 260 733

27. Fruitless and wasteful expenditure

Opening balance	2 926 293	2 484 686
Fruitless and wasteful expenditure - current year	2 613 550	441 607
	5 539 843	**2 926 293**

Details / incidents of fruitless and wasteful expenditure relating to this period only		
Expenditure relating to catering	20 875	-
Legal costs	82 884	-
Accommodation	4 199	-
Advertising costs	45 678	-
Late registration fees	300	-
SARS interest and penalties	2 438 068	-
Interest on overdue accounts	21 546	-
	2 613 550	**-**

A report of all the fruitless and wasteful expenditure incurred was submitted to the Council for consideration. Council has taken a resolution to investigate all incidents of fruitless and wasteful expenditure.

In September 2012 SARS concluded a special review of the municipality's' tax affairs. The review covered the tax periods 2008 - 2012 and resulted in R2 438 068 penalties and interest being levied in the 2012/2013 financial period.

No fruitless and wasteful expenditure was condoned, written off or recovered during the year.

28. Irregular expenditure

Restated Opening Balance	83 322 871	79 827 350
Add: Irregular Expenditure - current year	8 962 470	3 495 521
	92 285 341	**83 322 871**

	Restated
Opening balance as previously reported	29 253 927
Irregular expenditure identified as a result of a special expenditure review undertaken as far back as practically possible and included transactions from the 2009/2010 financial period onwards.	50 573 423
	79 827 350

Figures in Rand	2013	2012

28. Irregular expenditure (continued)

Details of irregular expenditure – current year

Description of incident	Steps taken	-
The Municipality has identified 23 transactions where goods and services were procured without following the appropriate procurement processes.	Council has reviewed the matter and has instructed that the transactions be investigated and appropriate recommendations be made.	486 394
27 transactions have been identified where the Municipality has issued an order after the relevant goods or services have been delivered.	Council has reviewed the matter and has instructed that the transactions be investigated and appropriate recommendations be made.	209 463
Expenditure relating to professional services procured in prior years where inadequate documentation is available to prove that a competitive bidding was followed	The contract is no longer in existence.	2 476 298
Transactions detected during the audit as a result of differening interpretations of SCM Regulations 17	Matter is being investigated by National Treasury and AG	5 790 315
		8 962 470

Deviations to the value of R939 966.70 were approved during the financial period.

29. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA Fees

	2013	2012
Opening balance	648 630	217 487
Current year subscription / fee	860 662	648 630
Amount paid - previous years	(515 500)	(217 487)
	993 792	**648 630**

Audit fees

	2013	2012
Audit fees - current year audit	2 224 025	1 804 594
Amount paid - current year	(2 224 025)	(1 804 594)
	-	**-**

PAYE and UIF

	2013	2012
Opening balance	-	364 105
Current year payroll deductions	7 947 945	7 230 456
Amount paid - current year	(7 947 945)	(7 230 456)
Amount paid - previous years	-	(364 105)
	-	**-**

Pension and Medical Aid Deductions

	2013	2012
Current year payroll deductions	5 643 361	7 451 680
Amount paid - current year	(5 643 361)	(7 451 680)
	-	**-**

The municipality does not contribute to councillors' medical aid and pension plans.
Refer to Note 25 "Related parties" for disclosure of amounts owed by councillors.

Figures in Rand	2013	2012

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

VAT

	2013	2012
VAT receivable	4 433 318	1 929 823

VAT input receivables are shown in note 3.

All VAT returns for the financial period were submitted by the due dates.

30. Contingencies

Contingent liabilities

During the financial year the Municipality discovered a previously unrecognised event relating to a funding arrangement with a development agency. The funding was obtained to develop a commercial centre on the Idutywa market square. The transaction was entered into in 1993 with an initial value of R1.8 million. The Municipality has not accounted for this transaction in its financial records and has not made any payments on the loan in recent years.

Adequate information is not available to reliably assess the financial impact of the transaction in past years resulting in it being impracticable to consider the financial effect for retrospective application. On 28 August 2013 Council resolved to investigate the matter further prior to finalising settlement negotiations with the development agency.

Other litigation matters:

The municipality was party to the following litigations, however the financial impact has not been finalised as of yet:
- Application for rescission
- Collection matter

The municipality is currently party to the following litigation:	**Projected cost**
Legal opinion on Taxation of fees charged by attorneys by master of the high court	35 230
Interdict- Land Evasion by Willowvalle community	119 303
Rescission- An application was made by the municipality on the court order which was granted against the municipality with regard to non payments of 3 Councillors	105 136
Traditional leaders demanding increase in their out expenses	303 000
Interdict-Dispute with the municipality,B.S Titus & BP Garage but no court order at the moment, matter to kept in abeyance	90 000
Interdict - urgent application was lodged against the municipality	150 000
High Court application in Mthatha, application opposed solely due to costs order sought. Pending appeal municipality to abide decision of the court. Costs application against the municipality withdrawn.	375 000
Case number P316/2013 relating to labour matter	500 000
	1 677 669

Contingent assets

During the financial year a municipal vehicle was written off in an accident. The Municipality lodged an insurance claim which at year end was still not finalised. The net book value of the vehicle written off was R109 909.

Figures in Rand	2013	2012

31. Cash generated from operations

Surplus	36 205 564	30 413 526
Adjustments for:		
Depreciation and amortisation	30 326 761	28 885 481
Loss/(gain) on sale of assets and liabilities	1 141 546	(549 440)
Debt impairment	2 933 372	5 069 550
Movements in operating lease assets and accruals	(5 008)	23 294
Movements in retirement benefit assets and liabilities	249 451	1 380 767
Movements in provisions	285 084	1 348 518
Other non-cash items	271 211	(4 379 453)
Changes in working capital:		
Receivables from exchange transactions	-	(2 693 595)
Other receivables from non-exchange transactions	2 309 663	-
Consumer debtors	(2 922 684)	(3 491 819)
Payables from exchange transactions	(1 714 109)	3 915 190
VAT	(2 503 495)	4 007 662
Unspent conditional grants and receipts	13 014 215	(3 999 827)
	79 591 571	**59 929 854**

32. Risk management

Classification of financial instruments

Financial assets

Loans and receivables		
Refuse	4 186 144	3 590 918
Sundry debtors	705 152	3 014 815
Less: Impairment of sundry debtors	(325 320)	(220 174)
Vat receivables	4 433 318	1 929 823
	8 999 294	8 315 382
Add: Loans and receivables from non-exchange transactions	20 628 233	18 300 775
Less: Impairment	(24 215 097)	(21 313 780)
	5 412 430	5 302 377
Cash and cash equivalents		
Cash held with banking institutions	68 352 402	27 121 315
	68 352 402	27 121 315
	73 764 832	**32 423 692**

Financial liabilities

Employee benefits		
Accrued bonus	633 165	608 425
Staff leave accrual	3 359 892	3 310 685
	3 993 057	3 919 110
Trade and other payables		
Trade payables	2 241 393	5 001 903
Provision for rehabilitation of landfill sites	2 531 665	2 246 581
Payments received in advance (being debtors with credit balances)	443 287	1 138 983
Sundry creditors	637 582	485 080
	5 853 927	8 872 547

32. Risk management (continued)

Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables is assumed to approximate the fair values due to the short repayment terms of the instruments.

Financial risk management

Objectives, policies and processes for managing risks:
The Council has overall responsibility for the establishment and oversight of the municipality’s risk management framework. The municipality has established a Risk Committee which is composed of risk champions and members of the municipal management team. This committee will report to the Audit Committee. The terms of reference for the committee must still be finalised and approved by Council. The municipality’s Audit Committee oversees the monitoring of compliance with the municipality’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The Audit Committee is assisted in its oversight role by internal audit. The municipality has also established a Municipal Public Accounts Committee (MPAC), an oversight body for the Council. This committee reports directly to the Council.

The Municipality is exposed to the following risks:

- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality’s policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality’s short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists primarily of interest rate risk.
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

32. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the entity's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only creditworthy counterparties.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including an inaccurate and unreliable customer database. The municipality has started the process of cleansing its trade receivable portfolio to ensure completeness of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the municipality in the cleansing process. Refer note 4 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Cash and cash equivalents (including investments) are held with the following counter parties:	2013	2012
ABSA Bank	2 664 345	9 185 855
First National Bank (Primary Banker)	65 293 180	25 358 096
Standard Bank	1 751 719	1 752 350

33. Heritage assets

	2013			2012		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	9	-	9	9	-	9

Heritage assets which fair values cannot be reliably measured

Graves, Caves and Memorial Sites

The following heritage assets, (which have been allocated a nominal value of R1 for record keeping purposes) cannot be reliably measured: Graves (Gcaleka's Grave, King Hintsa's Grave and King Sarhili's Grave; Memorial Sites (Nqadu Great Place, Fort Bowker and Fort Malan Memorial); Caves (Sinqumeni Caves and Ngqamakhwe Rock Art and Ludiza Caves) as well as Mhlakaza's and Nongqawuse's house. Fair value cannot be determined reliably due to the nature and the area. There are no market related reference points for these historical assets due to the nature and locality of the assets.

Figures in Rand	2013	2012

34. Receivables from non-exchange transactions

	2013	2012
Other receivables from non-exchange revenue	705 152	3 014 815

Receivables from non-exchange transactions

Balance as at 30 June 2013	**Gross Balances**	**Provision for doubtful debts**	**Net balance**
Recoveries of staff expenses	220 174	(220 174)	-
SARS debtor	471 602	-	471 602
Other debtors	338 696	(105 146)	233 550
	1 030 472	**(325 320)**	**705 152**

Balance as at 30 June 2012	**Gross balances**	**Provision for doubtful debts**	**Net balance**
Recoveries of staff expenses	220 174	(220 174)	-
SARS debtor	2 909 669	-	2 909 669
Other debtors	105 146	-	105 146
	3 234 989	**(220 174)**	**3 014 815**

35. Change in accounting estimate

Property, plant and equipment

The useful life of certain computer equipment, furniture and fittings and motor vehicles was estimated in 2008 to be 5 years. In the current period management have revised their estimate for certain assets as follows:
- Computer equipment: 7(poor condition), 8 (normal condition) and 9 (good condition) years
- Furniture and fittings: 9 years
- Motor vehicles: 7 (poor condition) and 8 (good condition) years
The effect of this revision has decreased the depreciation charges for the current and future periods by R 287 202

The useful life of certain intangible asset was estimated in 2009/2010 financial year to be 3 years. In the current period management have revised their estimate to 4 (poor condition) and 5 (good condition) years

Reconciliation of change in accounting estimate	**Computer equipment**	**Furniture and fittings**	**Intangible assets**	**Motor vehicles**	**Total**
Depreciation expense before change in estimate	(70 846)	(373)	(21 240)	(319 221)	(411 680)
Depreciation expense after change in estimate	19 710	75	7 286	97 408	124 479
Results in an increase of accumulated surplus	(51 136)	(298)	(13 954)	(221 813)	(287 201)
	(51 136)	**(298)**	**(13 954)**	**(221 813)**	**(287 201)**

Figures in Rand	2013	2012

36. Prior period errors

During the current financial period the following errors were identified with regards to transactions processed against accumulated surpluses prior to 1 July 2011. The corrections restated below have been effected to address these transactions. The net effect on Accumulated Surpluses is summarised below:

The summary of correction of errors is set out below

36.1 Adjustment to opening balance of comparative period

Accumulated surplus		
Balance as previously stated	-	(190 723 918)
Correction of petty cash balance	-	4 735
Correction of prior period bank related transactions including cancellation of stale cheques that affected the ledger bank balance	-	29 023
Adjustments to debtors balances and impairment of debtors	-	66 132
Correction of landfill site rehabilitation provision and the related landfill site asset	-	(873 555)
Recognition of long service leave obligation and related expenditure not previously accounted for	-	1 208 650
Recognition of operating lease liability and related expenditure not previously accounted for	-	20 365
Net book value adjustments resulting from additions, corrections and accumulated depreciation adjustments on Infrastructure, land and buildings, electrification assets and WIP	-	(66 455 404)
Recognition of depreciation charge	-	292 954
Adjustment to cost for properties that no longer belong to the municipality	-	9 961 500
Reversal of accumulated depreciation on properties that no longer belong to the municipality	-	(3 479 757)
Adjustment of opening balance for assets not previously accounted for	-	(89 000)
Adjustment of duplicated properties in prior year register	-	1 197 000
Adjustment of cost relating to duplicated properties in prior year register	-	647 500
Reversal of accumulated depreciation on duplicated assets	-	(226 377)
Net adjustments to infrastructure assets due to corrections relating to estimated useful lives, deemed cost and residual values	-	(6 583 904)
Correction of repairs and maintenance incorrectly capitalised	-	(1 574 369)
Adjustment of 2011/12 depreciation charge processed in the opening accumulated surplus	-	(4 522 023)
Correction to assets inaccurately accounted for	-	(434 748)
Correction of unspent conditional grants	-	(3 754 579)
Net book value of assets not previously identified and accounted for	-	(1 067 382)
Correction to opening balance of intangible assets	-	5 486
	-	**(266 351 671)**

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Prior period errors (continued)

36.2 Adjustment to comparative period balances - 30 June 2012

Net movement in statement of financial position		
Cash and cash equivalents	-	(5 817)
Consumer debtors	-	(70 232)
Property, plant and equipment	-	61 129 206
Investment property	-	8 297 159
Trade and other payables	-	(368 864)
Operating lease liability	-	(23 294)
Provision	-	(1 295 599)
Bank overdraft	-	(27 941)
Retirement benefits	-	(1 380 767)
Intangible assets	-	(5 486)
Heritage assets	-	9
Unspent conditional grants	-	3 754 578
	-	**70 002 952**

Details of the above movements are provided below:

Cash and cash equivalents		
Balance as previously stated	-	32 223 841
Correction of petty cash balance	-	(4 735)
Correction of prior period bank related transactions including cancellation of stale cheques that affected the ledger bank balance	-	(1 082)
	-	**32 218 024**

Consumer debtors		
Balance as previously stated	-	648 145
Adjustments to debtors balances and impairment of debtors	-	(70 232)
	-	**577 913**

Investment Property		
Balance as previously reported	-	46 628 020
Net book adjustments relating to transfers from PPE and corrections to cost and accumulated depreciation	-	9 494 159
Adjustment of duplicated properties in prior year register	-	(1 197 000)
	-	**54 925 179**

Property, plant and equipment		
Balance as previously stated	-	162 561 664
Initial take on of the land fill site asset related to the Landfill site rehabilitation provision (including the effects of depreciation)	-	2 197 576
Net book value adjustments resulting from additions, corrections and accumulated depreciation adjustments on infrastructure, land and buildings, electrification assets and WIP	-	57 439 528
Correction of retentions not correctly accounted for	-	529 022
Recognition of depreciation charge	-	(292 954)
Adjustment to cost for properties that no longer belong to the municipality	-	(9 961 500)
Reversal of accumulated depreciation on properties that no longer belong to the municipality	-	3 479 757
Adjustment of opening balance for assets not previously accounted for	-	89 000
Adjustment of cost relating to duplicated properties in prior year register	-	(2 500)
Net adjustments to infrastructure assets due to corrections relating to estimated useful lives, deemed cost and residual values	-	6 583 904
Heritage assets with a nominal value of R1 trasferred to a separate asset catergory	-	(9)

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Prior period errors (continued)

Reversal of duplicated adjustment	-	1 067 382
	-	**223 690 870**

Trade and other payables		
Balance as previously stated	-	10 705 242
Monies received for sale of land initial recognised as income received in advance subsequently correctly recognised as proceeds on sale of land based on supporting documentation obtained in the current financial period	-	(549 440)
Accrual for additional infrastructure expenditure	-	389 282
Correction of retentions not correctly accounted for	-	529 022
	-	**11 074 106**

Operating lease liability		
Current portion of operating lease liability not previously accounted for	-	(5 008)
Non current portion of operating lease not accounted for	-	(18 286)
	-	**(23 294)**

Provisions - Non current		
Balance as previously stated	-	(950 982)
Increase in the Landfill site rehabilitation provision (including the effects of unwinding of discount) based on a revised report.	-	(1 295 599)
	-	**(2 246 581)**

Bank overdraft		
Balance as previously stated	-	(5 068 768)
Correction of prior period bank related transactions including cancellation of stale cheques that affected the ledger bank balance	-	(27 941)
	-	**(5 096 709)**

Retirement benefits - Non current		
Recognition of long service leave obligation and related expenditure not previously accounted for	-	(1 380 767)

Intangible assets		
Balance as previously stated	-	130 666
Adjustment to opening balance	-	(5 486)
	-	**125 180**

Heritage assets		
Recognising heritage assets transferred from PPE at nominal value of R1 each	-	9

Unspent conditional grants		
Balance as previously stated	-	(3 754 578)
Correction of error - unspent conditional grants released directly to accumulated surplus opening balance as at 1 July 2011	-	3 754 578
	-	**-**

Figures in Rand	2013	2012

36. Prior period errors (continued)

Statement of Financial Performance

	2013	2012
Movement	-	5 624 802

Detail movement on surplus for the year as a result of errors

	2013	2012
Balance as previously stated	-	(36 038 328)
Adjustment to debtors impairment charge	-	4 100
Depreciation of landfill site asset	-	9 235
Finance costs - unwinding of discount applicable to the landfill site rehabilitation provision	-	(37 657)
Additions to building incorrectly expensed in to repairs and maintenance	-	(89 000)
Monies received for sale of land initial recognised as income received in advance subsequently correctly recognised as proceeds on sale of land based on supporting documentation obtained in the current financial period	-	(549 440)
Recognition of long service leave obligation and related expenditure not previously accounted for	-	172 117
Recognition of operating lease liability and related expenditure not previously accounted for	-	2 929
Correction of repairs and maintenance incorrectly capitalised	-	1 574 369
Adjustment of 2011/12 depreciation charge processed in the opening accumulated surplus	-	4 522 024
reversal of duplicated adjustment included 1112/343 and 1112/347	-	16 125
	-	**(30 413 526)**

37. Events after the reporting date

The following Council resolutions were passed on 28 August 2013:

- Movable assets (including computer equipment, furniture and fittings, motor vehicles and plant and equipment) with a net book value of R431 612 were approved for scrapping (Adjusted for)
- Additional information and further investigation regarding the recently identified loan alleged to be owing to a development agency is required before a decision may be taken to approve payment of any amount.
- Land and buildings with the net book value of R 7 962 522 currently maintained in the municipality's asset register must be removed as ownership does effectively reside with the municipality. These properties have been sold in the past but title deeds have not been formerly transferred. (Adjusted for)

Subsequent to the submission of the Annual Financial Statements on 30 August 2013 council resolved to condone irregular expenditure to the value of R75 079 472 (Included in note 28)

In 2012/2013 the municipality undertook a detailed review of its debtors portfolio. A report was submitted to council which was approved together with further resolutions regarding the debtors portfolio which are to be implemented in the 2013/2014 financial period.