NYANDENI LOCAL MUNICIPALITY

Nyandeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
The following is included in the scope of operation	The Nyandeni Local Municipality includes the following areas: Libode Ngqeleni
Full - time Councillors	
Honourable Mayor	T Sokanyile
Speaker	M.S. Qaqa
Chief Whip	MR Mtobela
EXCO Members	W Ngaveli - Portfolio Head : Budget & Treasury N Matanda - Portfolio Head: SPU, Sports, Arts & Culture P Matinise - Portfolio Head : Public Safety, Transport Z Mevana - Portfolio Head: Technical & Infrastructure Development N. Thiyeka - Portfolio Head: Local Economic & Rural Development P Godongwana - Portfolio Head: Disaster Management F Mgwedane - Portfolio Head: Community Services Z Nondlevu - Portfolio Head: Corporate Services K Tatani - Councillor in Mayor's Office
Section 79 Chairpersons	J Mabuya - Municipal Public Accounts Committee N Tyopo - Women Caucus PN Tswina - Members Interest S. Mbiyozo - Public Participation & Petition

General Information

Part-time Councillors	T E Kupelo N R Fodo M Q H Lumko N S Ngangaza N N Devete M Qoyo T Matika M B Dambuza Z Hibane N Mahlangu M V M Khumalo L Mzimba M Dukiso N H J Patho N Malindi N Tsawutsa M A Ncanywa M Mkrokrelwa M Magxala V Nomqonde N C Gqetywa E S Mkizwana T Mpetsheni N P Ntoza N L Gonyela Z W Mamve A Nkunzi M Magavu Z R Matiwane X H Dlani N Nkwahla N Jim M Z Nomandela J Maqubela J M Klaas N L Vanda F Mbodloyi V B Zondani R N Dlutu N Mchithakali P Madwantsi F Gaxeni N P Ntshoyi B Mavumbengwe N I Gqetywa
Audit Committee	S Mbalekwa - Chairperson L Galada - Member S Mntonga - Member Adv T Mqobi - Member

General Information

Grading of local authority	3
Accounting Officer	N. Nomandela
Chief Finance Officer (CFO)	B.K Benxa
Registered office	BN Nomandela Drive Libode 5160
Postal address	Private Bag X504 Libode 5160
Bankers	First National Bank, Mthatha Standard Bank, Mthatha
Auditors	Office of the Auditor - General (Eastern Cape) Chartered Accountants (S.A.) Registered Auditors
Attorneys	JA Le Roux Attorneys AS Zono & Associates

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2014 and were signed on its behalf by:

N Nomandela
Municipal Manager

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	8	159 489	119 715
Receivables from exchange transactions	9	-	10 824
VAT receivable	10	3 923 016	1 828 339
Consumer debtors	11	3 399 175	1 599 458
Cash and cash equivalents	12	75 439 857	82 686 715
		82 921 537	**86 245 051**
Non-Current Assets			
Investment property	4	60 473 350	60 473 350
Property, plant and equipment	5	263 090 046	247 470 900
Intangible assets	6	424 465	409 296
		323 987 861	**308 353 546**
Total Assets		**406 909 398**	**394 598 597**
Liabilities			
Current Liabilities			
Finance lease obligation	13	375 078	276 220
Payables from exchange transactions	17	9 284 229	15 701 718
Employee benefit obligation	7	433 697	-
Unspent conditional grants and receipts	14	5 727 638	-
Provisions	15	388 373	366 390
Retentions	16	4 413 934	2 688 045
Finance lease obligations		304 632	419 352
		20 927 581	**19 451 725**
Non-Current Liabilities			
Finance lease obligation	13	920 477	1 072 921
Employee benefit obligation	7	2 693 989	2 598 903
		3 614 466	**3 671 824**
Total Liabilities		**24 542 047**	**23 123 549**
Net Assets		**382 367 351**	**371 475 048**
Accumulated surplus		382 367 351	371 475 048

* See Note 2 & 36

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	177 791	167 786
Rental of facilities and equipment		143 818	136 699
Fees earned		44 094	45 247
Commissions received		139 723	115 545
Recoveries		-	4 670 475
Fair value gain on short term investments		253 731	171 435
Other income	23	4 265 350	2 621 735
Interest received - investment		4 743 148	2 849 749
Total revenue from exchange transactions		**9 767 655**	**10 778 671**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	5 259 469	4 691 772
Transfer revenue			
Government grants & subsidies		206 142 362	170 771 416
Fines		59 100	276 794
Total revenue from non-exchange transactions		**211 460 931**	**175 739 982**
Total revenue	18	**221 228 586**	**186 518 653**
Expenditure			
Personnel	25	(79 528 629)	(60 558 957)
Remuneration of councillors	26	(15 983 398)	(15 062 084)
Depreciation and amortisation	29	(30 480 626)	(31 291 109)
Impairment loss/ Reversal of impairments		(2 417 835)	-
Finance costs	30	(139 770)	(281 072)
Bad debts written off	27	-	(1 160 990)
Fair value loss on short term investments		(228 373)	(129 548)
Repairs and maintenance		(4 462 723)	(6 685 223)
General Expenses	24	(66 770 913)	(55 534 503)
Total expenditure		**(200 012 267)**	**(170 703 486)**
Operating surplus		**21 216 319**	**15 815 167**
Loss on disposal of assets and liabilities		(10 324 018)	(281 748)
Surplus for the year		**10 892 301**	**15 533 419**

* See Note 2 & 36

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**355 941 629**	**355 941 629**
Changes in net assets		
Surplus for the year	15 533 419	15 533 419
Total changes	15 533 419	15 533 419
Restated* Balance at 01 July 2013	**371 475 050**	**371 475 050**
Changes in net assets		
Surplus for the year	10 892 301	10 892 301
Total changes	10 892 301	10 892 301
Balance at 30 June 2014	**382 367 351**	**382 367 351**

Note(s)

* See Note 2 & 36

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Taxation		5 259 469	4 691 772
Grants		206 142 362	170 771 416
Interest income		4 743 148	2 849 749
Other receipts		5 083 607	8 205 716
		221 228 586	186 518 653
Payments			
Employee costs		(95 512 027)	(75 621 041)
Suppliers		(77 653 044)	(50 098 604)
Finance costs		(13 521)	(153 110)
		(173 178 592)	(125 872 755)
Net cash flows from operating activities	32	**48 049 994**	**60 645 898**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(65 375 972)	(14 567 533)
Proceeds from sale of property, plant and equipment	5	-	367 955
Purchase of intangible assets	6	(283 553)	(221 178)
Transfer from Work-in Progress	6	8 931 339	-
Net cash flows from investing activities		**(56 728 186)**	**(14 420 756)**
Cash flows from financing activities			
Movement in Income recieved in advance		(114 720)	419 352
Finance lease payments		(179 835)	1 221 179
Movement in Retention		1 725 889	2 688 045
Net cash flows from financing activities		**1 431 334**	**4 328 576**
Net increase/(decrease) in cash and cash equivalents		**(7 246 858)**	**50 553 718**
Cash and cash equivalents at the beginning of the year		82 686 715	32 132 997
Cash and cash equivalents at the end of the year	12	**75 439 857**	**82 686 715**

* See Note 2 & 36

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	200 000	-	**200 000**	177 791	**(22 209)**	
Rental of facilities and equipment	165 000	-	**165 000**	143 818	**(21 182)**	
Fees earned	160 000	-	**160 000**	44 094	**(115 906)**	
Commissions received	120 000	-	**120 000**	139 723	**19 723**	
Profit on investments	-	-	**-**	253 731	**253 731**	
Other income	2 500 000	2 000 000	**4 500 000**	4 265 350	**(234 650)**	
Interest received - investment	3 000 000	1 000 000	**4 000 000**	4 743 148	**743 148**	
Total revenue from exchange transactions	**6 145 000**	**3 000 000**	**9 145 000**	**9 767 655**	**622 655**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 619 262	1 600 000	**4 219 262**	5 259 469	**1 040 207**	
Government grants & subsidies	215 526 000	(673 000)	**214 853 000**	206 142 362	**(8 710 638)**	
Transfer revenue						
Fines	350 000	-	**350 000**	59 100	**(290 900)**	
Transfer from reserves	17 179 562	3 000 000	**20 179 562**	-	**(20 179 562)**	
Total revenue from non-exchange transactions	**235 674 824**	**3 927 000**	**239 601 824**	**211 460 931**	**(28 140 893)**	
Total revenue	**241 819 824**	**6 927 000**	**248 746 824**	**221 228 586**	**(27 518 238)**	
Expenditure						
Personnel	(75 820 981)	-	**(75 820 981)**	(79 528 629)	**(3 707 648)**	
Remuneration of councillors	(15 144 013)	-	**(15 144 013)**	(15 983 398)	**(839 385)**	
Depreciation and amortisation	(44 741 000)	-	**(44 741 000)**	(30 480 626)	**14 260 374**	
Impairment loss/ Reversal of impairments	(3 500 000)	-	**(3 500 000)**	(2 417 835)	**1 082 165**	
Finance costs	(105 400)	-	**(105 400)**	(139 770)	**(34 370)**	
Fair value loss on investments	-	-	**-**	(228 373)	**(228 373)**	
Repairs and maintenance	(13 660 000)	(4 000 000)	**(17 660 000)**	(4 462 723)	**13 197 277**	
General Expenses	(55 457 575)	(3 575 500)	**(59 033 075)**	(66 770 913)	**(7 737 838)**	
Total expenditure	**(208 428 969)**	**(7 575 500)**	**(216 004 469)**	**(200 012 267)**	**15 992 202**	
Operating surplus	**33 390 855**	**(648 500)**	**32 742 355**	**21 216 319**	**(11 526 036)**	
Loss on disposal of assets and liabilities	-	-	**-**	(10 324 018)	**(10 324 018)**	
Surplus before taxation	**33 390 855**	**(648 500)**	**32 742 355**	**10 892 301**	**(21 850 054)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**33 390 855**	**(648 500)**	**32 742 355**	**10 892 301**	**(21 850 054)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Inventories	-	-	**-**	159 489	**159 489**	
VAT receivable	-	-	**-**	3 923 016	**3 923 016**	
Consumer debtors	-	-	**-**	3 399 175	**3 399 175**	
Cash and cash equivalents	-	-	**-**	75 439 857	**75 439 857**	
	-	**-**	**-**	**82 921 537**	**82 921 537**	
Non-Current Assets						
Investment property	-	-	**-**	60 473 350	**60 473 350**	
Property, plant and equipment	57 579 329	-	**57 579 329**	263 090 046	**205 510 717**	
Intangible assets	320 000	-	**320 000**	424 465	**104 465**	
	57 899 329	**-**	**57 899 329**	**323 987 861**	**266 088 532**	
Total Assets	**57 899 329**	**-**	**57 899 329**	**406 909 398**	**349 010 069**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	375 078	**375 078**	
Payables from exchange transactions	-	-	**-**	9 284 238	**9 284 238**	
Employee benefit obligation	-	-	**-**	433 697	**433 697**	
Unspent conditional grants and receipts	-	-	**-**	5 727 638	**5 727 638**	
Provisions	-	-	**-**	388 373	**388 373**	
Retentions	-	-	**-**	4 413 934	**4 413 934**	
Finance lease obligations	-	-	**-**	304 632	**304 632**	
	-	**-**	**-**	**20 927 590**	**20 927 590**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	920 477	**920 477**	
Employee benefit obligation	-	-	**-**	2 693 989	**2 693 989**	
	-	**-**	**-**	**3 614 466**	**3 614 466**	
Total Liabilities	**-**	**-**	**-**	**24 542 056**	**24 542 056**	
Net Assets	**57 899 329**	**-**	**57 899 329**	**382 367 342**	**324 468 013**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	57 899 329	-	**57 899 329**	382 367 342	**324 468 013**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.4 Investment property (continued)

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

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

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

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

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

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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.

1.5 Property, plant and equipment (continued)

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

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

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

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 - 40 years
Plant and machinery	5 - 20 years
Furniture and fixtures	10 years
Motor vehicles	7 years
Office equipment	10 years
IT equipment	3 - 10 years
Infrastructure	30 - 60 years
Community	15 - 25 years
Access Roads	7 - 30 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.5 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

1.6 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, other	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

Accounting Policies

1.7 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.8 Leases

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

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

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

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.

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.9 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.10 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

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.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.12 Employee benefits

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

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

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

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

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

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

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

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

1.12 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

1.13 Provisions and contingencies (continued)

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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.

1.14 Revenue from exchange transactions

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

Accounting Policies

1.14 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, 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
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: 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. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.15 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Turnover

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

1.17 Investment income

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

1.18 Comparative figures

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

When the presentation or classification in financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material 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.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

Accounting Policies

1.19 Unauthorised expenditure (continued)

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

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

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

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 25

The municipality has applied GRAP 25 issued, and effective for periods commencing 01 April 2013. The estimated impact of the implementation of the new standard on the 2014 annual financial statements is as follows:

Statement of financial position

	2014	2013
Defined benefit plan liability	(3 127 686)	(2 598 903)

Statement of Financial Performance

	2014	2013
Employee benefits provision - GRAP 25	528 783	544 963

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 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:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3.2 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 2014 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 18: Segment Reporting	01 April 2016	
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	
• GRAP 107: Mergers	01 April 2014	
• GRAP 20: Related parties	01 April 2014	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	
• GRAP108: Statutory Receivables	01 April 2015	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

4. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	60 473 350	-	60 473 350	60 473 350	-	60 473 350

Reconciliation of investment property - 2014

	Opening balance	**Total**
Investment property	60 473 350	60 473 350

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	60 473 350	60 473 350

Details of property

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

Details of valuation

The effective date of the revaluations was 01 July 2013. Revaluations were performed by an independent valuer, Mr Baleni, Registered Property Valuer of Primeland Properties. Primeland Properties are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

There has been no material changes in the property market in the municipal jurisdiction, i.e. there were no major property developments that influence the changes in property values. Therefore there has been no change in the value of investment property.

These assumptions are based on current market conditions.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	28 818 851	(3 276 667)	25 542 184	26 925 835	(2 592 048)	24 333 787
Plant and machinery	9 606 888	(4 870 974)	4 735 914	9 401 592	(3 752 993)	5 648 599
Motor vehicles	9 557 851	(5 203 460)	4 354 391	7 684 587	(4 592 430)	3 092 157
Office equipment	3 367 168	(1 380 227)	1 986 941	2 533 739	(1 058 004)	1 475 735
IT equipment	2 349 602	(1 059 352)	1 290 250	1 786 537	(700 628)	1 085 909
Infrastructure	334 521 711	(113 188 463)	221 333 248	302 170 070	(94 360 669)	207 809 401
Community	3 209 427	(669 956)	2 539 471	3 139 427	(546 558)	2 592 869
Finance lease asset	2 415 671	(1 108 024)	1 307 647	2 169 615	(737 172)	1 432 443
Total	**393 847 169**	**(130 757 123)**	**263 090 046**	**355 811 402**	**(108 340 502)**	**247 470 900**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**WIP Movement**	**Current Depreciation**	**Impairment loss**	**Total**
Buildings	24 333 787	813 005	-	1 080 012	(684 620)	-	25 542 18
Plant and machinery	5 648 599	205 296	-	-	(877 028)	(240 953)	4 735 91
Motor vehicles	3 092 157	2 481 036	-	-	(1 170 535)	(48 267)	4 354 39
Office equipment	1 475 735	833 429	-	-	(322 223)	-	1 986 94
IT equipment	1 085 909	563 065	-	-	(358 724)	-	1 290 25
Infrastructure	207 809 401	60 234 085	(10 324 018)	(10 081 358)	(26 304 862)	-	221 333 24
Community	2 592 869	-	-	70 000	(123 398)	-	2 539 47
Finance lease assets	1 432 443	246 056	-	-	(370 852)	-	1 307 64
	247 470 900	**65 375 972**	**(10 324 018)**	**(8 931 346)**	**(30 212 242)**	**(289 220)**	**263 090 04**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**WIP**	**Accumulated Depreciation**	**Total**
Buildings	26 686 435	239 400	-	-	(2 592 048)	24 333 787
Plant and machinery	9 361 178	40 414	-	-	(3 752 993)	5 648 599
Motor vehicles	7 169 286	515 300	(607 772)	-	(3 984 657)	3 092 157
Office equipment	2 274 786	258 953	-	-	(1 058 004)	1 475 735
IT equipment	1 518 358	310 110	(41 931)	-	(700 628)	1 085 909
Infrastructure	255 569 245	12 200 360	-	34 400 465	(94 360 669)	207 809 401
Community	3 139 427	-	-	-	(546 558)	2 592 869
Finance lease asset	1 166 619	1 002 996	-	-	(737 172)	1 432 443
	306 885 334	**14 567 533**	**(649 703)**	**34 400 465**	**(107 732 729)**	**247 470 900**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	**Included within Community**	**Included within Buildings**	**Total**
Opening balance	34 400 465	-	-	34 400 465
Additions/capital expenditure	17 979 198	70 000	1 080 012	19 129 210
Transferred to completed items	(28 060 555)	-	-	(28 060 555)
	24 319 108	**70 000**	**1 080 012**	**25 469 120**

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Total
Opening balance	19 849 867	19 849 867
Additions/capital expenditure	14 550 598	14 550 598
	34 400 465	**34 400 465**

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

6. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 445 320	(1 020 855)	424 465	1 161 767	(752 471)	409 296

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	409 296	283 553	(268 384)	424 465

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	940 589	221 178	(752 471)	409 296

7. Employee benefit obligations

Defined benefit plan

Post retirement gratuity plan

The obligation is valued annually by the independent qualified actuaries.

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

	2014	2013
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 127 686)	(2 598 903)
Non-current liabilities	(2 693 989)	(2 598 903)
Current liabilities	(433 697)	-
	(3 127 686)	**(2 598 903)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	435 148	370 240
Interest cost	185 872	137 370
Actuarial (gains) losses	(92 237)	37 353
	528 783	**544 963**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.93 %	- %

8. Inventories

Consumable stores	159 489	119 715

9. Receivables from exchange transactions

Sundry customers	-	6 355
Accrued income	-	4 469
	-	**10 824**

The Sundry customer was for IEC Rental for January 2012 outstanding at 30 June 2012. Follow-up with the debtor did not yield positive results and during the reporting period, IEC vacated the municipal premises they were renting, which made it impossible to recover the debt. Therefore the council on the meeting held on the 28 August 2014, resolved to write off the debtor.

10. VAT receivable

VAT	3 923 016	1 828 339

These are monies due from SARS for VAT claimed in the May & June 2014 Vat periods, as well invoices captured not yet paid and debtors billed not yet received.

11. Consumer debtors

Gross balances		
Rates	10 597 889	6 632 769
Refuse	526 952	425 383
Old Balances	2 204 498	2 347 323
	13 329 339	**9 405 475**
Less: Allowance for impairment		
Rates	(7 341 900)	(5 139 213)
Refuse	(469 763)	(390 094)
Old Balances	(2 118 501)	(2 276 710)
	(9 930 164)	**(7 806 017)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Consumer debtors (continued)

Net balance		
Rates	3 255 989	1 493 556
Refuse	57 189	35 289
Old Balances	85 997	70 613
	3 399 175	**1 599 458**
Rates		
Current (0 -30 days)	-	(342 555)
31 - 60 days	127 629	77 560
61 - 90 days	127 424	74 114
91 - 120 days	118 355	74 377
+ 120 days	10 224 481	6 749 274
Impairment	(7 341 900)	(5 139 214)
	3 255 989	**1 493 556**
Refuse		
Current (0 -30 days)	16 088	28 465
31 - 60 days	15 469	11 501
61 - 90 days	15 287	11 215
91 - 120 days	14 974	11 065
+ 120 days	465 134	363 137
Impairment	(469 763)	(390 094)
	57 189	**35 289**
Old Balances		
+ 120 days	2 201 632	2 347 322
Impairment	(2 115 635)	(2 276 709)
	85 997	**70 613**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 806 017)	(10 476 492)
Contributions to allowance	(2 124 147)	-
Reversal of allowance	-	2 670 475
	(9 930 164)	**(7 806 017)**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15	15
Bank balances	25 991 368	13 681 259
Short-term deposits	49 448 474	69 005 441
	75 439 857	**82 686 715**

Figures in Rand	2014	2013

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2014	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Cash book balances 30 June 2014	Cash book balances 30 June 2013	Cash book balances 30 June 2012
First National Bank - Current Account No 62152951614	31 636 420	11 428 966	6 011 933	24 660 669	11 221 297	6 010 644
Standard BANK - Current Account No 80847978	1 323 773	2 459 662	3 425 752	1 324 073	2 459 962	3 426 052
Petty cash / under banking	-	-	-	6 641	15	15
Standard BANK - Call Deposit - 388655305-403	295 701	287 223	280 638	295 701	287 223	280 638
Standard BANK - Call Deposit - 388680237-001	87 734	84 759	82 438	87 734	84 759	82 438
Standard BANK - Tiered Rates - 388680172-002	3 207	3 166	3 136	3 207	3 166	3 136
Standard BANK - 32 Day Call - 388655305-004	949 634	903 690	867 798	949 634	903 690	867 798
Standard BANK - Revolving Fund - 388655305-002	238 658	231 815	226 500	238 658	231 815	226 500
Standard BANK - Stanlib Investment - 54781067	29 207	27 700	26 294	29 207	27 700	26 294
Standard BANK - Stanlib Investment - IPOO5728	1 316 272	1 253 397	1 198 014	1 316 272	1 253 397	1 198 014
Standard BANK - Stanlib Investment - IPOO5439	2 930 656	2 786 861	2 659 960	2 930 656	2 786 861	2 659 960
First National BANK - 32 Day Interest - 72399019737	15 359	15 017	14 708	15 359	15 017	14 708
Standard BANK - 548736855-001 - Eradication of Bucket System	732 671	709 746	691 887	732 671	709 746	691 887
First National Bank - Call Acc No 74187331349	16 968 684	16 130 895	15 307 222	16 968 684	16 130 895	15 307 222
First National Bank -Investment Acc - 74182161238 - VAT Recovery	15 621 555	34 754 693	27 540 561	15 621 555	34 754 693	27 540 561
First National Bank -Call Account No- 62159914704 -MIG	1 688 758	10 596 269	1 855 480	1 688 758	10 596 269	1 855 480
First National Bank -Call Account No- 62159915853 - MSIG	180 496	54 212	8 724	180 496	54 212	8 724
First National Bank -Call Account No- 62159921751 - FMG	718 547	323 785	132 556	718 547	323 785	132 556
First National Bank -Call Account No- 62159922551 - Property Valuation	154 177	151 128	148 387	154 177	151 128	148 387
First National Bank -Call Account No- 62159915340 - LGSETA	64 914	11 313	11 200	64 914	11 313	11 200
First National Bank -Call Account No- 623963557298 - EPWP	544 560	74 769	-	544 560	74 769	-
First National Bank -Call Account No- 62396356539 - INEG	6 907 684	605 002	-	6 907 684	605 002	-
Total	**82 408 667**	**82 894 068**	**60 493 188**	**75 439 857**	**82 686 714**	**60 492 214**

Figures in Rand	2014	2013

13. Finance lease obligation

Minimum lease payments due		
- within one year	475 661	387 392
- in second to fifth year inclusive	1 026 691	1 233 521
	1 502 352	1 620 913
less: future finance charges	(206 880)	(271 773)
Present value of minimum lease payments	**1 295 472**	**1 349 140**
Present value of minimum lease payments due		
- within one year	375 078	276 220
- in second to fifth year inclusive	919 666	1 072 921
	1 294 744	**1 349 141**
Non-current liabilities	920 477	1 072 921
Current liabilities	375 078	276 220
	1 295 555	**1 349 141**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2013: 9%).

Interest rates are linked to prime at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

14. Unspent conditional grants and receipts

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. The unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grant - INEP	5 536 998	-
Unspent grant - FMG	190 640	-
	5 727 638	**-**

Movement during the year

Additions during the year	71 006 000	-
Income recognition during the year	(65 278 362)	-
	5 727 638	**-**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and the municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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

See note 20 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2014	2013

15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation provision	366 390	21 983	388 373

Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Legal proceedings	2 200 000	-	(2 200 000)	-
Environmental rehabilitation provision	133 150	233 240	-	366 390
	2 333 150	**233 240**	**(2 200 000)**	**366 390**

Environmental rehabilitation provision

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is as per the above.

16. Retentions

Amounts withheld as surety on construction projects completed by awarded contractors. These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors.The release of retentions is normally done 3 - 6 months after the project is certified as complete.

Carrying amount of retention

	2014	2013
Opening balance	2 688 045	2 432 376
Increase/(decrease) in the carrying amount recognised in the period as a result of a completed projects	1 725 889	255 669
	4 413 934	**2 688 045**

17. Payables from exchange transactions

	2014	2013
Trade payables	1 028 657	7 018 941
Sundry suppliers	(12 709)	14 352
Leave pay provision	5 035 945	3 784 999
Creditors accruals	1 636 511	3 594 845
Bonus provision	1 595 825	1 288 581
	9 284 229	**15 701 718**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Revenue

Commissions received	139 723	115 545
Fees earned	44 094	45 247
Fines	59 100	276 794
Government grants & subsidies	206 142 362	170 771 416
Interest received - investment	4 743 148	2 849 749
Other income	4 265 350	2 621 735
Profit on investments	253 731	171 435
Property rates	5 259 469	4 691 772
Recoveries	-	4 670 475
Rental of facilities and equipment	143 818	136 699
Service charges	177 791	167 786
	221 228 586	**186 518 653**

Commissions received	139 723	115 545
Fees earned	44 094	45 247
Interest received - investment	4 743 148	2 849 749
Other income	4 265 350	2 621 735
Profit on investments	253 731	171 435
Recoveries	-	4 670 475
Rental of facilities and equipment	143 818	136 699
Service charges	177 791	167 786
The amount included in revenue arising from exchanges of goods or services are as follows:		
	9 767 655	**10 778 671**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5 259 469	4 691 772
Transfer revenue		
Government grants & subsidies	206 142 362	170 771 416
Fines	59 100	276 794
	211 460 931	**175 739 982**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Property rates

Rates received

Property rates	6 167 766	5 780 907
Less: Income forgone	(908 297)	(1 089 135)
	5 259 469	**4 691 772**

Valuations

Residential	112 290 000	64 821 250
Commercial	81 630 000	44 971 200
State	51 565 000	30 798 700
Municipal	13 415 000	92 408 950
Church	15 245 000	20 489 000
Roads (Government)	-	279 535 921
Schools	291 705 000	243 864 106
Clinic	14 030 000	26 360 290
Other	20 025 000	47 236 413
Less: Income forgone	(22 885 000)	(21 726 500)
	577 020 000	**828 759 330**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The basis was 2c per rand on land and improvements. Rebates are applied according to council's policy.

Rates are levied annuallyin the first quarter on property owners accounts. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

The new general valuation will be implemented on 01 July 2013.

20. Service charges

Refuse removal	177 791	167 786

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Figures in Rand	2014	2013

21. Government grants and subsidies

Operating grants		
Equitable share	140 564 000	121 517 000
INEP electrification grant	13 463 002	5 439 416
Expanded public work programme -EPWP	1 000 000	1 462 000
Finance management grant -FMG	1 359 360	1 500 000
Library subsidy	300 000	300 000
Municipal Systems Improvement Grant - MSIG	890 000	800 000
	157 576 362	131 018 416
Capital grants		
Municipal Infrastructure grant - MIG	48 566 000	39 753 000
	48 566 000	39 753 000
	206 142 362	**170 771 416**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	65 278 362	48 954 416
Unconditional grants received	140 864 000	121 817 000
	206 142 362	**170 771 416**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 90 212 (2013: R 82 000), which is funded from the grant.

Equitable Share

Current-year receipts	143 347 000	121 517 000
Conditions met - operating	(140 564 000)	(121 517 000)
Withheld from prior years	(2 783 000)	-
	-	**-**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

The municipality had an unspent conditional grant of R 2 783 000 for the INEP Grant for the 2010/2011 Financial year which was never condoned by National Treasury, therefore it was offsetted against the current year allocation.

Intergrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	1 839 416
Current-year receipts	19 000 000	3 600 000
Conditions met - transferred to revenue	(13 463 002)	(5 439 416)
	5 536 998	**-**

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

The INEP grant is used for electrical connections in previously disadvantaged areas. The project is ongoing as the both the Contractor and consultants are onsite and the unspent balance is fully committed.

Financial Management Grant (FMG)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Government grants and subsidies (continued)

Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 359 360)	(1 500 000)
	190 640	**-**

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

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme (EPWP)

Current-year receipts	1 000 000	1 462 000
Conditions met - transferred to revenue	(1 000 000)	(1 462 000)
	-	**-**

This grant was fully spent on employing casual workers within community based projects, especially within Infrastructure Department.

Library subsidy

Current-year receipts	300 000	300 000
Conditions met - transferred to revenue	(300 000)	(300 000)
	-	**-**

This grant was fully expensed in development of the Libraries within the municipality

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	**-**

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act

22. Other revenue

Fees earned	44 094	45 247
Commissions received	139 723	115 545
Debt impairment recovered	-	4 670 475
Profit on investments	253 731	171 435
Other income	4 265 350	2 621 735
	4 702 898	**7 624 437**

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Funeral Fees	3 482	5 089
Pound fees	40 612	40 158
Commission fees	139 723	115 545
Debt impairment recovery	-	4 670 475
Other income	4 265 350	2 621 735
	4 449 167	**7 453 002**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Other income

Auction sale	57 200	-
D.L.T.C	3 252 339	1 696 389
Insurance claim	-	196 433
Library fees	2 100	11 212
Plan fees	12 858	19 299
Sundry income	131 359	88 858
Tender sales	404 140	222 196
Training - LGSETA	398 389	331 491
Vending & Hawking fees	6 735	55 564
Wood sales	230	293
	4 265 350	**2 621 735**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

24. General expenses

Advertising	453 713	390 779
Amenities & Community Facilities	235 373	325 940
Auditors remuneration	2 441 097	3 263 609
Bank charges	197 432	185 175
Books & publications	95 924	115 875
Catering	908 699	236 410
Cleaning	310 893	205 008
Commission paid	-	1 000
Communication	556 205	410 859
Community based public works programme (EPWP)	280 279	842 818
Computer expenses	6 704	88 573
Conferences and seminars	10 782 238	5 672 987
Consulting and professional fees	3 349 831	5 265 303
Consumables	5 022	-
Crime prevention	488 619	286 424
Debt collection	747 289	-
Electricity purchases	366 820	668 688
Employee wellness programmes	2 992 286	1 827 804
Expenses not capitalised	-	1 110 042
Financial management grant	1 419 582	1 747 020
Fuel and oil	2 751 319	2 140 192
Housing expenses	65 520	757 690
IDP Development	932 386	461 300
INEP Electrification project	11 809 651	4 771 417
IT expenses	88 659	24 071
Indigent subsidies	1 734 526	3 876 679
Insurance	1 124 813	533 786
Internal audit costs	654 172	885 235
LED projects	1 529 706	2 285 337
Land summit	-	449 851
Landfill site	21 983	233 240
Library services	264 573	157 340
License fees	328 951	261 436
Lifeguard services	512 623	401 401
Mayor's discretional fund	1 130 677	928 234
Mlengane development fund	90 672	162 976
Municipal performance management system	107 339	92 006
Municipal systems improvement grant - MSIG	819 774	-
PMU Administration costs	930 757	799 720
Postage and courier	1 921	2 015
Pre - schools	847 156	656 642
Printing and stationery	656 028	441 954
Promotions and sponsorships	2 946 550	3 476 710
Protective clothing	-	171 748
Provision for bonuses	307 243	202 821
Public participation	1 477 077	587 373
Refuse bags & bins	263 134	98 937
Rental - special facilities	335 505	308 749
Special Programs Unit	824 894	1 370 167
Sports & Recreation	212 131	191 081
Subscriptions and membership fees	869 952	74 946
Survey & planning	264 042	476 980
Telephone and fax	4 432 996	3 095 800
Training	113 723	377 957
Transport forum	25 051	39 275
Travel - local	588 722	468 248
Uniforms	687 196	286 817
Vehicle hire	971 732	852 474
Waste management	409 753	487 584

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
24. General expenses (continued)		
	66 770 913	**55 534 503**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Employee related costs

Acting allowances	141 833	137 483
Bargaining Council Levies	18 459	15 768
Basic	41 728 452	30 644 303
Bonus	3 006 441	2 524 999
Contributions to current employee benefits - Long Service Awards	528 783	544 963
Group Scheme	2 612 735	1 394 787
Housing benefits and allowances	3 115 954	2 207 254
Leave pay provision charge	1 250 946	167 233
Medical aid - company contributions	4 682 616	3 975 229
Overtime payments	4 803 622	3 401 457
Pension / Provident fund contributions	2 940 233	1 981 507
Personal facilities	3 180 984	2 924 568
SDL	620 655	486 194
Travel, motor car, accommodation, subsistence and other allowances	4 483 836	4 563 194
UIF	421 855	353 748
	73 537 404	**55 322 687**

Remuneration of municipal manager - N Nomandela

Annual Remuneration	638 616	690 342
Car Allowance and other allowances	270 904	254 553
Contributions to UIF, Medical and Pension Funds	158 480	23 956
	1 068 000	**968 851**

Remuneration of chief finance officer

Annual Remuneration	701 584	655 528
Car Allowance and other allowances	127 927	121 288
Contributions to UIF, Medical and Pension Funds	59 332	54 007
	888 843	**830 823**

Remuneration of Planning & Development Manager - GN Cekwana

Annual Remuneration	542 638	556 436
Car Allowance and other allowances	255 854	263 316
Contributions to UIF, Medical and Pension Funds	88 854	87 772
	887 346	**907 524**

Remuneration of Corporate Services Manager - SV Poswa

Annual Remuneration	574 703	483 367
Car Allowance and other allowances	213 212	202 145
Contributions to UIF, Medical and Pension Funds	145 572	155 480
	933 487	**840 992**

Remuneration of the Technical Services - Q Madikida

Annual Remuneration	525 991	500 247
Car Allowance and other allowances	255 854	242 574
Contributions to UIF, Medical and Pension Funds	131 169	106 548
	913 014	**849 369**

Remuneration of Community Services Manager - GM Zide

25. Employee related costs (continued)

	2014	2013
Annual Remuneration	520 524	484 777
Car Allowance and other allowances	255 854	242 574
Contributions to UIF, Medical and Pension Funds	127 146	111 360
	903 524	**838 711**

Remuneration of Strategic Planning Manager - L Madzidzela

	2014	2013
Annual Remuneration	224 564	-
Car Allowance and other allowances	108 421	-
Contributions to UIF, Medical and Pension Funds	64 026	-
	397 011	**-**

26. Remuneration of councillors

	2014	2013
Mayor	677 826	645 549
Speaker	542 261	516 439
Chief Whip	508 370	264 288
Full time executive committee members	1 525 110	1 355 653
Part time executive committee members	2 045 951	1 597 733
Part-time Councillors allowances	10 683 880	10 682 422
	15 983 398	**15 062 084**

In-kind benefits

The Mayor, Speaker, Chief Whip and 3 of the Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker have use of a Council owned vehicles for official duties.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Speaker has one full-time driver.

27. Bad debts written off

	2014	2013
Debts write off	-	1 160 990

Senior Managers paid themselves bonuses without Council approval and or authority.The Council took a resolution to recover these monies paid in 2007 -2008 financial year. In the 2012/2013 Financial Year the council has taken a resolution to write off the amounts that were paid to previous Senior Managers as it deemed these balances irrecoverable.

28. Investment revenue

	2014	2013
Interest revenue		
Bank	4 743 148	2 849 749

The amount included in Investment revenue arising from exchange transactions amounted to R 4 743 148.

29. Depreciation and amortisation

	2014	2013
Property, plant and equipment	30 212 242	31 102 991
Intangible assets	268 384	188 118
	30 480 626	**31 291 109**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

30. Finance costs

Trade and other payables late payment penalties	13 521	153 110
Finance leases	126 249	127 962
	139 770	**281 072**

31. Auditors' remuneration

Fees	2 441 097	3 263 609

32. Cash generated from operations

Surplus	10 892 301	15 533 419
Adjustments for:		
Depreciation and amortisation	30 480 626	31 291 109
Gain on sale of assets and liabilities	10 324 018	281 748
Finance costs - Finance leases	126 249	127 962
Debtors Impairment	2 417 835	-
Bad debts written off	-	1 160 990
Movements in retirement benefit assets and liabilities	528 783	2 598 903
Movements in provisions	21 983	366 390
Prior period adjustments	-	(11 096 926)
Changes in working capital:		
Inventories	(39 774)	(119 715)
Receivables from exchange transactions	(2 117 792)	(10 824)
Consumer debtors	(1 799 717)	1 599 458
Payables from exchange transactions	(6 417 479)	15 735 904
VAT	(2 094 677)	1 828 339
Unspent conditional grants and receipts	5 727 638	-
Finance lease obligations	-	1 349 141
	48 049 994	**60 645 898**

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	35 798 433	38 075 184

This committed expenditure relates to infrastructure projects and will be financed from government grants.

Figures in Rand	2014	2013

34. Contingencies

Contingent liabilities

Tamsanqa Dotyeni vs NLM case no. 2070/2010	1 000 000	1 000 000
Selina Nontembeko Matanda vs NLM case no. 2071/2010	1 000 000	1 000 000
Zweledinga Jadiso vs Nyandeni Municipality (Case No 2014/09)	200 000	200 000
BHS Building Contractors cc vs Nyandeni Municipality (Case No 55/12)	2 846 672	2 846 672
Zukiswa Skenjana vs Nyandeni Local Municipality (Case No. 1424/12)	600 000	600 000
Maqhawe Construction VS Nyandeni Local Municipality (Case No. 249/2014)	1 938 570	-
Tamsanqa Livingstone Case 1	-	18 000
Tamsanqa Livingstone Case 2	-	10 500
	7 585 242	**5 675 172**

The following is a list of possible outcomes:

1. Tamsanqa Dotyeni vs NLM case no. 2070/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is pending in the High Court and has not been allocated a date as yet.

2. Selina Nontembeko Matanda vs NLM case no. 2071/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is currently waiting for the trial date.

3. ZWELEDINGA JADISO vs NYANDENI MUNICIPALITY CASE no 2014/09

The municipality is being sued for a sum of 200 000 by the abovementioned person who alleges that he rented out his electric saw to the municipality at a rate of R50.00 a day in 1994 and it is still with the municipality. The municipality is defending the matter since it is contending that it was only hiring the saw when there was a need and it was never kept at the municipality. The matter seems to have become dormant since the Plantiff is not taking any steps to pursue the matter.

4. BHS Building Contractors cc vs Nyandeni Municipality (Case No 55/12)

Figures in Rand	2014	2013

34. Contingencies (continued)

The municipality is being sued for a sum of R2 846 672.40 for the alleged unlawful cancellation of a contract for the construction of Ngqeleni Road. The municipality is defending the matter as it contends that the cancellation was lawful as the company had failed to honour the conditions of the contract. The municipality has filed its plea and the parties are still exchanging pleadings.

5. ZUKISWA SKENJANA vs NYANDENI LOCAL MUNICIPALITY CASE NO. 1424/12

The municipality is being sued for a sum of R600 000.00 for alleged negligence because the Plaintiff slipped on the stairs in the Municipal hall when she was attending a wedding. The Municipality is defending the matter since it is alleging that at the time of the incident the hall was not under the custody of the municipality but of the person who had hired the hall. The matter had been set down for hearing on the 2nd June 2014. The matter has since been postponed sine die due to the shortnessof a number of days available for the hearing.

6. **Maqhawe Construction VS Nyandeni Local Municipality (Case No. 249/2014)**

The municipality is being sued for a sum of R 1 938 570.00 (One Million Nine Hundred and Thirty Eight Thousand Five Hundred and Seventy Rands by the contractor who claims that it is money owed by Municipality as standing time. This is the time that his machines stood on site while doing nothing and they claim that this is due to the fault of the municipality. The municipality is defending the matter as the contractor did not even finish the work that he was contracted to do, as a result the municipality has lodged a counter claim against the Plaintiff totaling R 1 780 668.00.

7. **Siyaphambili Trading CC VS Nyandeni Local Municipality and Others (Case No. 1454/13)**

An application was brought against the Municipality, the Municipal Manager and Alexander Maintenance for the review and setting aside of the decision of the Municipal Manager to award the tender of Nothintsila to Mvilo access road to Alexander Maintenance. The decision was first taken on appeal to the Executive Committee which upheld the decision of the Municipal Manager. The municipality is opposing the matter and has already filed its heads of argument although the Applicant has not filed its own heads. Construction of the road is continuing since there is no interdict against the Municipality.

8. **Tamsanqa Livingstone Case 1 & 2**

The Plaintiff is sued the municipality for a sum of R18 000 & R 10 500 which is allegedly unpaid monies that the municipality owes as a result of hiring his buses. The municipality defended the matter as it disputes that it ever hired the said buses.The matter is closed as both parties reached an out of court settlement to abandon the case and each party to settle its own legal costs.

Contingent assets

Nyandeni Local Municipality vs Ayanda Maqolo (Case No 724/13)

The municipality is suing the above named person for the illegal invasion of municipal land. The municipality has obtained an interim interdict against the respondent and the matter has been set down in the opposed motion court for May 2014. The matter has since been heard and judgement was granted in favour of the municipality. Mr Maqholo's attorneys have since served the Municipality with a Notice fo Application for Leave to Appeal and an Application for condonation for the late filing.

Nyandeni Local Municipality vs Z Ndamase (Case No 1905/2011)

The municipality was sued by this individual and subsequently judgement was granted in favour of the municipality. Litigation is finalised and the municipality is owed taxed legal costs in the amount of R 83 954.63.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

35. Related parties

Relationships

Close family member of key management	Councillor M. Magavu

Mrs SS Magavu (Spouse) has an interest in Umandlane Trading which was awarded on quotation basis to the total amount of R 10 000 for services rendered.

Related party balances

Related party transactions

Services rendered by related parties		
Umandlane Trading	-	10 000
Vuyo Catering & Construction	-	82 665
Awards made to the companies with interest held by the persons in the service of the State	-	1 052 892

36. Prior period errors

36.1 **Property Plant and Equipment**

In the prior year work in progress capital expenditure movement was understated by the amounts that were paid in periods prior to 2012/13 financial year.

There were misstatements identified during to the audit, which resulted in changes in the Fixed Asset Register prior to 2012/13 financial year.

36.2 **Assessment rates**

In the prior years the municipality incorrectly billed ERF 250 for rates, which led to an overstatement of consumer debtors and revenue from non exchange transactions.

36.3 **Trade and other payables**

In the prior year the accrual journal of R 495 was duplicated in the Trial Balance.

36.4 **Vat Receivable**

The review conducted by SARS led to disallowed vat refunds from the 2011 financial year, the outstanding amount have since been received during the year under review, after the audit review was finalised..

36.5 **Finance leases**

In the prior year some of the finance lease obligations were terminated however the leasehold assets were not removed from the lease register leading to an overstatement of assets and liabilities

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

Statement of financial position		
Property, plant and equipment	-	14 350 625
Vat receivable	-	(1 278 595)
Trade and other payables	-	495
Accumulated depreciation - lease assets	-	(117 033)
Consumer debtors	-	(8 863)
Leasehold assets	-	(87 389)
Current portion of Long term Lease liabilities	-	92 454

Figures in Rand	2014	2013

36. Prior period errors (continued)

Statement of Financial Performance		
Depreciation expense	-	117 033
Rental - special facilities	-	17 730
Finance charges	-	(3 627)

37. Comparative figures

Certain comparative figures have been reclassified.

38. Risk management

Liquidity risk

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

Credit risk

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

Nyandeni Local Municipality does not foresee any threat with regards to sevicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdrafts to finance its operations.

Market risk

Interest rate risk

Not appliacble to the Municipality, there were no loans during the year.

Price risk

Not appliacble to the Municipality.

39. Going concern

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

40. Events after the reporting date

Management is not aware of any material event that has occurred between the year end and sign off date.

41. Unauthorised expenditure

Opening balance	5 958 929	18 931 403
Unauthorised expenditure current year	-	5 099 883
Approved by Council or condoned	(5 958 929)	(18 072 357)
	-	**5 958 929**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

42. Fruitless and wasteful expenditure

Opening balance	251 028	227 918
Fruitless and wasteful expenditure current year	13 521	153 110
Approved and written off by Council - Resolution no 971 / 2130	(264 549)	(130 000)
	-	**251 028**

There were no criminal or disciplinary steps taken as a consequence of above expenditure.

43. Irregular expenditure

Opening balance	19 268 592	17 821 686
Add: Irregular Expenditure - current year	26 841 869	46 272 812
Less: Approved and written off by council	(46 110 461)	(44 825 906)
	-	**19 268 592**

Notes to the Annual Financial Statements

Figures in Rand		2014	2013

43. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The service provider's municipal rates and taxes and/or municipal services account was in arrears for more than 3 months.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	1 256 696
Expenditure was more than R10 000 up to R200 000 and was procured without obtaining at least three written price quotations and the deviation was not approved by the CFO or his designate.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	114 644
Expenditure exceeded R200 000 and was not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his delegate in accordance with the SCM policy.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	11 009 307
Expenditure totalled more than R2 000 and less than R30 000 and was not awarded to the lowest price or the entity with the most points.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	3 297
Final award or recommendation for the award to the accounting officer was not always made by an adjudication committee which was not properly constituted in accordance with the SCM policy.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	2 678 003
Evaluation criteria applied in evaluating the award differed those from indicated in the original request that initiated the award.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	2 594 046
Provider did not declare the following:i) Whether he is in the service of state or has been in the service of state for the previous 12 months;ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous 12 months;iii) Whether the spouse, child or parent of the provider or a director, manager, shareholder or stakeholder of a provider who is a company or cc, is in the service of the state or has been in the service of the state for the previous 12 months.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	84 893
Expenditure was more than R2 000 up to R10 000 and was procured without obtaining at least three written price quotations and the deviation was not approved by the CFO or his designate	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.	8 374

Figures in Rand		2014	2013

43. Irregular expenditure (continued)

Tender requirements were not fully adhered to.	The expenditure was valid, budgeted for and approved and when considering that municipality did not incur a determinable loss as a result of this irregular expenditure, it can be recommended that all such irregular expenditure should be written-off as irrecoverable.		9 092 608
			26 841 868

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Non-compliance with technical legislative requirements	Council	46 110 461

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2014	2013
Opening balance	-	685 456
Current year subscription / fee	624 510	66 235
Amount paid - current year	(624 510)	(751 691)
	-	**-**

Audit fees

	2014	2013
Current year subscription / fee	908 246	-
Amount paid - current year	(908 246)	-
	-	**-**

PAYE and UIF

	2014	2013
Current year subscription / fee	11 911 863	10 490 051
Amount paid - current year	(11 911 863)	(10 490 051)
	-	**-**

Pension and Medical Aid Deductions

	2014	2013
Current year subscription / fee	19 056 517	16 930 917
Amount paid - current year	(19 056 517)	(16 930 917)
	-	**-**

VAT

	2014	2013
VAT receivable	3 923 016	1 828 339

VAT output payables and VAT input receivables are shown in note .

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

Figures in Rand	2014	2013

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M. Dambuza	-	3 386	3 386

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident	2014	2013
Emergency procurement	10 836 036	6 275 940

45. Actual operating expenditure versus budgeted operating expenditure

Refer to Statement of Comparison of Budget and Actual Amounts for the comparison of actual operating expenditure versus budgeted expenditure.

46. Actual capital expenditure versus budgeted capital expenditure

Refer to Statement of Comparison of Budget and Actual Amounts for the comparison of actual capital expenditure versus budgeted expenditure.

47. Deviation from supply chain management regulations

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

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

Procurements that were deemed to be emergency in nature during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.