

ANNEXURE A

REPORT ON THE 2011/2012 PERFORMANCE OF UTHUKELA WATER (PTY) LTD AS THE WATER SERVICE PROVIDER OF THE AMAJUBA DISTRICT MUNICIPALITY**1. Background of uThukela Water (Pty) Ltd**

uThukela Water (PTY) Limited is the first Municipal entity which is a regional water service provider, wholly and exclusively owned by three Water Services Authorities namely, Amajuba (DC25), Umzinyathi (DC24), and Newcastle Municipalities. uThukela Water has established itself to be the best industry leader. With customer as the cornerstone of its success, the company has expanded rapidly in order to ensure the continued satisfaction of the client body of 250 000 customers. The company's head office and laboratory facilities are situated in Newcastle.

1.1 Business Focus

uThukela Water (PTY) Limited's business focus is on the provision of water, waste water management, and other related environmental services, from water source to customer connection and from sewer connection to waste water treatment plant to disposal in the environment. uThukela Water may also provide water and related services beyond the area of jurisdiction, on condition that those services will create benefits for the shareholders and the customers.

1.2 Company Size

Net asset value: R 2.3 billion
Operational Budget for FY 2011/12: R 267.7 million
Capital budget for FY 2011/12: R 78.6 million
Total staff compliment: 594

1.3 Establishment

Between 1997 and 2000, all municipalities in the previous Umzinyathi and uThukela regions as well as other organs of civil society (community) based organisations, non government organisations, organised business, agriculture, industry and labour participated in the uThukela Water Board study. This was made possible with the assistance from DWAF and the Australian government (AUSAID). The result of the study was a formation of a water utility called uThukela Water Partnership (TWP) in September 2001.

1.4 Company Identity

In November 2003 uThukela Water (PTY) Limited was incorporated as a result of the conversion from uThukela Water Partnership to a company with limited liabilities. A 30 year strategic plan (SP2030) was designed to model various options to better the company to effectively execute its mandate.

1.5 uThukela Water Institutional Structures

- The shareholders committee
- Board of directors
- Leadership committee (LEADCO)
- Management committee (MANCO)

1.6 uThukela Water Institutional Structure

The Leadership Committee of uThukela Water (PTY) Limited comprises of senior managers of the company inclusive of the managing director.

1.7 Shareholders Representatives Committee

The shareholders committee comprises of three Mayors and the three municipalities Managers of the shareholding Water Services Authorities. The shareholders' meeting represents the collective interests of the shareholding municipalities of uThukela Water (PTY) Limited.

1.8 Management Committee (MANCO)

The Management Committee comprises of senior managers. The primary function of the MANCO of uThukela Water is to ensure horizontal coordination of activities and functions within various functional centers. MANCO ensures that the company plans and policies are effectively implemented.

Our services provisioning and deliverables focus as provided in the Strategic Plan 2030 (SP2030) which was approved by the shareholders:

- Safe drinking water for all our customers and selected rural participants (farmers and remote industries)
- Environmentally safe sewerage, waste water collection, treatment and disposal where socially feasible and economically sustainable
- Recognises affordable yet effective environmental and catchment management
- Creating and sustaining a pristine environment
- Important participant in the economy
- World class recognised utility for doing more with less
- A model example for capacity building and empowerment
- Optimal deployment of appropriate and focused technologies, including information technology and systems
- Dynamic, pulsating, young professional workforce
- Unique sourcing deployment
- Resourcing at agreed risk
- Leader in digital workflow processes

1.9 uThukela Water Institutional structures

Comprises of two non-executive directors and two executive directors and the CFO.

The key performance areas of UTW are as follows:

- ✓ Stakeholder understanding and support
- ✓ Customer satisfaction
- ✓ Employee and leadership development
- ✓ Operational optimization
- ✓ Financial viability community sustainability

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE / INDICATOR	PERFORMANCE STANDARD / OUTCOME	TARGET	ACTUAL PERFORMANCE
Manage Stakeholder Relations	Number of Meetings	Scheduled meetings (Top Management) with parent municipalities' senior officials.	Monthly meetings (12 off per WSA)	9 meetings held with Amajuba. Meetings not held every month due to cancellations by WSA's and dispute over bulk water infrastructure
	Number of meetings	Scheduled meetings with / presentations to EXCO's of parent municipalities	1 meeting / presentation per WSA	Meetings held with ExCo
	Number of Meetings	Scheduled meetings with Local Labour Forum.	Quarterly meetings (4 off)	Quarterly meetings held
Communicate Company Performance to Customers	Published Assessment Report	Publish Mid Year Budget and Performance Assessment	100% Compliance	Mid Year Budget and Performance Assessment submitted to parent municipalities
	Published Assessment Report	Publish End of Year Performance Assessment	100% Compliance	Annual report published
	Approved Service Delivery Standards	Agree (with WSA) Performance Standards for service delivery	Standards approved by WSA's and Board	Proposed revised standards submitted to WSA's for comments but not finalized due to impending takeover of reticulation services.
	% Compliance with water quality standards	Ensure water quality meets the SANS 241 class 2 standards or better (excluding boreholes not classified as production boreholes)	Amajuba: 90% Compliance with class 2	Targets exceeded as detailed in the Operations performance report. (DWA changed the standards and no longer measure against Class 2. Results displayed in the report are against Class 1)
Ensure That Water and Wastewater Quality Meets Standards	Ensure that quality of water from non-production boreholes meets the SANS 241 class 2 standards or better	Ensure that quality of water from non-production boreholes meets the SANS 241 class 2 standards or better	Implement pilot project to assess cost and practical implementation of the monitoring method and success rate.	Pilot project was not implemented due to budget reduced by WSA making this unaffordable.
	% Compliance with effluent quality standards	Ensure that quality of effluent discharged meets general effluent standards	Amajuba: 45% Compliance with standard	Target exceeded, on average as detailed in the Operations performance report.
Develop Comprehensive Plans to Address Supply / Demand Challenges	Alignment of Capex program with approved Infrastructure Masterplan	Implement Infrastructure Masterplan	WSA's and Board to approve Infrastructure Masterplan.	Infrastructure Masterplan drafted but not yet approved by WSA's and Board.

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE/ INDICATOR	PERFORMANCE STANDARD/ OUTCOME	TARGET	ACTUAL PERFORMANCE
Ensure Good Corporate Governance	Risk Assessment Reports	Carry Out organizational and departmental risk assessments	FY 2013 to FY2017 Capex budget to align with Infrastructure Masterplan.	Risk assessments carried out at corporate and departmental level.
	Disabling Injury Frequency Rate (DIFR)	Reduce occupational injuries	1 organizational risk assessment 1 risk assessment per department Average DIFR of 2	DIFR reduced from 5 to 2.5, but did not meet target.
	Assessment Report on Compliance with MFMA using (clause by clause) score card.	Comply with all requirements of the MFMA except where there is no budget provision (highlighted to Board and WSA's upfront)	100% compliance (measured quarterly) by Q4. 98% compliance on average.	98% compliance on average. 100% compliance by Q4.
	Assessment Report on Compliance with WSP Agreement using (clause by clause) score card	Comply with all requirements of the WSP Agreement as amended except where there is no budget provision (highlighted to Board and WSA's upfront)	98% compliance (measured quarterly) by Q4. 96% compliance on average.	Targets achieved as detailed in scorecard.
	Approved Disaster Management Plan	Develop Disaster Management Plans	Submit Disaster Management Plan to Board for approval.	Service Provider not appointed due to budget constraints.
	Employee job descriptions and evaluations database.	All positions to have up to date approved and evaluated job descriptions	100 % of job descriptions revised and evaluated.	100 % of job descriptions revised and evaluated.
	Training and Development Plans Database	All Employees to have documented training and development plans	100% Compliance	80% of employees have documented training and development plans
	Performance Evaluation Reports	All MANCO Managers performance to be evaluated	100% Compliance	All MANCO managers evaluated.
	Performance Contracts Database	Performance Contracts for all ManCo Managers to be in place (signed)	100% Compliance	To be completed in Q1 of FY 2013 due to uncertainty regarding plan for takeover of some of the services by WSAs.
	Succession Plans Database	Formal Succession Plans To be updated for All Positions on level 8 and above	All updated succession plans (level 8 and above) submitted to HR.	Succession plans only cover 70% of the management positions.
Signed attendance registers	Inculcate corporate values and code of ethics.	Communicate code of ethics and values to all employees	Current code of ethics communicated. Has been revised for approval by Board.	
Approved implementation plan	Align business systems with IT	Compile IT Strategy and Master	IT Strategy and Master Systems Plan	

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE/ INDICATOR	PERFORMANCE STANDARD/ OUTCOME	TARGET	ACTUAL PERFORMANCE
_Ensure Proper Assets Management	Water Balance Reports	strategy to improve efficiencies of internal operations	Systems Plan and submit to Board for approval. Leadco to approve implementation plan.	completed but not yet submitted to Board.
	Assets Management Quarterly Reports	Compile monthly reports covering all bulk production and distribution water losses	Monthly water balance reports covering 100% of area (bulk only)	90% of required bulk meters installed.
Ensure the management and compilation of a collective budget process in accordance with MFMA and National Treasury guidelines	Income and Expenditure Reports	Implement approved assets management strategy	Submit Assets Management Strategy to Board for approval. LeadCo to approve implementation plan.	Strategy not yet submitted to Board.
	Income and Expenditure Reports	Operating expenditure to be in line with budget	Total expenditure to be between 98% and 100% of budget	98.2% of the budget was spent.
	Income and Expenditure Reports	Capital expenditure to be in line with budget	Total expenditure to be between 90% and 100% of budget	Total expenditure 91% of adjustments budget
	Departmental budget inputs captured.	Collectively compiled and financially viable budgets and plans that meet the service delivery objectives of the Entity and its Shareholders.	Budget Preparation Process To Meet Deadlines As Per MFMA and WSP/WSA Agreement	Deadlines were met by the Company, but finalization of entity's budget by the parent municipalities was delayed and did not meet deadlines.
	Shareholder IDP input captured into budget plans.			
	Shareholder participation captured into budget plans.			
	Shareholder submission in accordance with MFMA.			
	Shareholder approval in accordance with MFMA.			
	Budget capture and readiness captured on financial system.			
Ensure Effective Strategic Financing	Long Term Budget Model.	Compile a balanced long term budget where revenues cover operational costs and reduce the dependence on	Submit strategy and plan for approval by WSA's and the Board	Long Term Strategy not submitted to WSA's since the Company will be dis-established.

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE / INDICATOR	PERFORMANCE STANDARD / OUTCOME	TARGET	ACTUAL PERFORMANCE
Minimise negative operational impact on the environment	Approved Environmental management policy, procedures and plans	grants Draft and implement environmental management policy, procedures and plans.	Submit policy to Board for approval. Leadco approves implementation plan.	Corporate policy not yet submitted to Board.

DELIVERY PROJECTS FOR AMAJUBA DISTRICT MUNICIPALITY

PROJECT 1

GENERAL INFORMATION

Project Name: New Hattingsspruit Reservoir	Programme: Ensure Supply Meets Demand	Project No. 01
Project Budget: 2,200,000	Wards: 2	LM: Dannhauser
Strategic Objective: Develop Comprehensive Plans to Address Supply / Demand Challenges		
Strategic Outcome: Customer Satisfaction		

OUTCOMES

Strategic Outcome	Target
Customer Satisfaction	3. June 2012

PERFORMANCE INFORMATION

Milestones / key performance areas and targets				
Project Target	1 st QTR 30 Sept	2 nd QTR 31 Dec	3 rd QTR 31 Mar	4 th QTR 30 Jun
Complete Building New Reservoir at Hattingsspruit		Carry out design and compile tender documents	Appoint Contractor	Complete Implementation and commission.
				Actual Annual Performance Complete

FINANCIAL INFORMATION

Project Budget	1 st QTR 30 Sept		2 nd QTR 31 Dec		3 rd QTR 31 Mar		4 th QTR 30 Jun	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
2,200,000	0	0	200,000	0	1,000,000	0	1,000,000	2,706,000

PROJECT 2

GENERAL INFORMATION

Project Name: Verdruk Dam – Replacement of Sluice Gates and V-Notch	Programme: Maintain Dams to at Least Comply With Dam Safety Legislation	Project No. 02
Project Budget: 644,400	Wards: 2	LM: Dannhauser
Strategic Objective: Ensure Proper Assets Management		
Strategic Outcome: Infrastructure Stability / Water Resource Adequacy.		

OUTCOMES

Strategic Outcome	Target
Infrastructure Stability / Water Resource Adequacy	30 June 2012

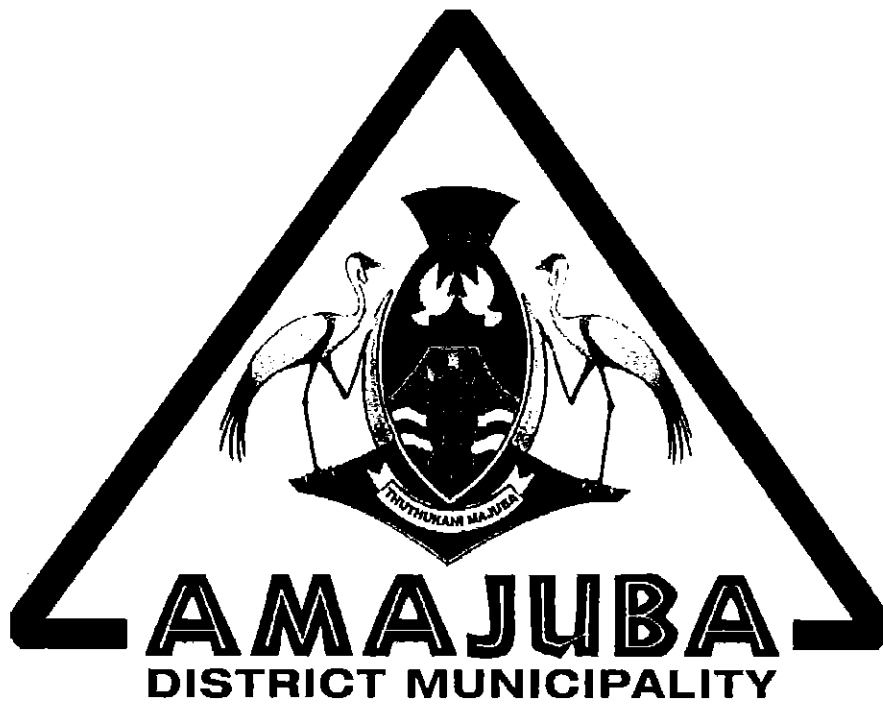
PERFORMANCE INFORMATION

Milestones / key performance areas and targets					
Project Target	1st QTR 30 Sept	2nd QTR 31 Dec	3rd QTR 31 Mar	4th QTR 30 Jun	Actual Annual Performance
Complete Dam Maintenance as per Dam Safety Report.	Complete Dam Inspection by Approved Professional Engineer	Draw specifications and tender documents for repairs	Complete Repair Work.		To be completed in Q1 FY2013

FINANCIAL INFORMATION

Project Budget	1st QTR 30 Sept		2nd QTR 31 Dec		3rd QTR 31 Mar		4th QTR 30 Jun	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
644,400	44,400	0	50,000	0	400,000	0	150,000	0

ANNEXURE B



Amajuba District Municipality
Annual Financial Statements
for the year ended 30 June 2012

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Legal Form of Entity	Municipality
Legislation Governing the Municipality's Operations	Municipal Finance Management Act (Act No.56 of 2003)

Executive Committee	
Mayor	Mrs. JCN Khumalo
Deputy Mayor	Councillor MN Majola
Executive Committee -Engineering	Councillor NA Zwane
Executive Committee -Corporate Services	Councillor EM Zungu
Executive Committee -Planning & Economic Development	Councillor SB Hlatshwayo
Speaker	Councillor EM Sigasa

Grading of local authority	Grade 3
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Auditors	Auditor General
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Bankers	ABSA Public Sector
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Registered office	B9356 Section 1 Madadeni Newcastle 2951
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Postal address	Private Bag X6615 Newcastle 2940
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Members of Council

Councillor FS Tsotetsi
Councillor TA Chonco
Councillor NS Matthews
Councillor MS Mlangeni
Councillor NA Msibi
Councillor TM Mhlongo
Councillor VR Hlatshwayo
Councillor SB Harber
Councillor MA Buthelezi
Councillor MP Sithole
Councillor JME Damons
Councillor MA Gama
Councillor SD Msibi
Councillor SJ Zulu
Councillor S Kubheka
Councillor DRF Buthelezi
Councillor MN Mbokazi

Acting Municipal Manager	Mr Linda M Africa
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Chief Financial Officer (CFO)	Mr Linda M Africa
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Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 21
Notes to the Annual Financial Statements	22 - 43

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income statement	44
Appendixes:	
Appendix A: Schedule of External loans	45
Appendix B: Analysis of Property, Plant and Equipment	47
Appendix C: Segmental analysis of Property, Plant and Equipment	53
Appendix D: Segmental Statement of Financial Performance	55
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	57
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	59
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	60

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

Abbreviations

MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
DBSA	Development Bank of South Africa
IGRAP	Interpretation of GRAP
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
WCA	Workmens Compensation Act
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
EPWP	Extended Public Works Programme
LED	Local Economic Development
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The Amajuba District Municipality is situated at the Amajuba Building, B 9356, Madadeni, is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

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 were 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 on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Provincial and National Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and National Governments have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

The annual financial statements set out on pages 5 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Mr Linda M Africa
Acting Municipal Manager

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

	Note(s)	2012 R	Restated 2011 R
Assets			
Current Assets			
Receivables from exchange transactions	7	231 976	659 562
VAT receivable	8	7 840 263	3 927 227
Prepayments	6	-	2 007 140
Cash and cash equivalents	9	7 531 720	1 401 263
		<u>15 603 959</u>	<u>7 995 192</u>
Non-Current Assets			
Property, plant and equipment	3	63 081 150	64 719 807
Intangible assets	4	488 197	513 065
Investment in Associate	5	744 474 666	775 117 417
		<u>808 044 013</u>	<u>840 350 289</u>
Total Assets		<u>823 647 972</u>	<u>848 345 481</u>
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	47 375 551	40 194 945
Unspent conditional grants and receipts	11	40 438 960	22 398 286
Provisions	12	1 651 743	1 580 639
Bank overdraft	9	-	13 049 866
		<u>89 466 254</u>	<u>77 223 736</u>
Non-Current Liabilities			
Finance lease obligation	10	-	17 161
Total Liabilities		<u>89 466 254</u>	<u>77 240 897</u>
Net Assets		<u>734 181 718</u>	<u>771 104 584</u>
Net Assets			
Accumulated surplus		<u>734 181 718</u>	<u>771 104 584</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

	Note(s)	2012 R	Restated 2011 R
Revenue		126 748 522	128 054 586
Other income		303 013	56 997 981
Operating expenses		(139 950 557)	(197 232 543)
Operating deficit	18	(12 899 022)	(12 179 976)
Investment revenue	21	970 238	1 849 253
Finance costs	23	(32 383)	(5 586)
Deficit for the year		(11 961 167)	(10 336 309)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2010	857 663 873	857 663 873
Changes in net assets		
Share of loss of associate	(20 526 959)	(20 526 959)
Current year adjustments	(55 696 021)	(55 696 021)
Net income (losses) recognised directly in net assets	(76 222 980)	(76 222 980)
Surplus for the year	(10 336 309)	(10 336 309)
Total recognised income and expenses for the year	(86 559 289)	(86 559 289)
Total changes	(86 559 289)	(86 559 289)
Balance at 01 July 2011 (Restated)	781 463 001	781 463 001
Changes in net assets		
Current year adjustments	(4 429 732)	(4 429 732)
Net income (losses) recognised directly in net assets	(4 429 732)	(4 429 732)
Surplus for the year	(11 961 167)	(11 961 167)
Total recognised income and expenses for the year	(16 390 899)	(16 390 899)
Share of Loss in Associate	(30 890 384)	(30 890 384)
Total changes	(47 281 283)	(47 281 283)
Balance at 30 June 2012	734 181 718	734 181 718

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

	Note(s)	2012 R	Restated 2011 R
Cash flows from operating activities			
Receipts			
Grants		143 351 579	131 811 272
Interest income		970 238	1 849 253
Other receipts		303 013	566 173
Other cash item		-	-
		<u>144 624 830</u>	<u>134 226 698</u>
Payments			
Employee costs		(38 033 788)	(35 489 821)
Suppliers		(84 221 342)	(161 676 715)
Finance costs		(32 383)	(5 586)
Other payments		(4 483 028)	(3 885 817)
		<u>(126 770 541)</u>	<u>(201 057 939)</u>
Net cash flows from operating activities	26	<u>17 854 289</u>	<u>(66 831 241)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3 635 626)	(15 651 795)
Proceeds from sale of property, plant and equipment	3	(102 871)	184 633
Purchase of other intangible assets	4	(166 199)	-
Other cash item		-	16 453 334
		<u>(3 904 696)</u>	<u>986 172</u>
Cash flows from financing activities			
Finance lease payments		(17 161)	(96 136)
Movement in Investments		5 247 891	-
		<u>5 230 730</u>	<u>(96 136)</u>
Net increase/(decrease) in cash and cash equivalents		<u>19 180 323</u>	<u>(65 941 205)</u>
Cash and cash equivalents at the beginning of the year		<u>(11 648 603)</u>	<u>54 292 602</u>
Cash and cash equivalents at the end of the year	9	<u>7 531 720</u>	<u>(11 648 603)</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand which is the functional currency of the municipality.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality's share of net assets of the investee. The surplus or deficit of the municipality includes the municipality's share of the surplus or deficit of the investee.

The municipality's share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available annual financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, annual financial statements as of the same date as the annual financial statements of the municipality unless it is impractical to do so.

The municipality's annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

1.2 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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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.

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	
• Specialised Vehicles	10 - 15 years
• Other Vehicles	5 years
Office equipment	3 - 7 years
IT equipment	3 years
Computer software	3 years
Infrastructure	
• Water and Sewerage	10 years
Community	
• Recreational Facilities	20 - 30 years
• Buildings	30 years
Other property, plant and equipment	2 - 5 years

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

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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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.

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, internally generated	3 years
Computer software, other	3 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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

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.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

1.6 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 return on the remaining balance of the liability.

Operating leases - lessee

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

1.7 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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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.

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.

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.

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

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.

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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 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.

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

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.

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.

Redesignation

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

1.8 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.

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

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

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

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

Useful life is either:

- (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.

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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 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.

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.

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

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

Redesignation

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

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to that arising in a defined contribution retirement benefit plan.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.9 Employee benefits (continued)

Defined benefit plans

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.10 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.

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

Provisions are not recognised for future operating deficits.

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.

Contingent assets and contingent liabilities are not recognised.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

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 services performed to date as a percentage of total services to be performed.

1.12 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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 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 municipality. 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, whichever is earlier.

When government remit grants on a re-imbursment 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.

1.13 Investment income

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

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote

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.

1.17 Fruitless and wasteful expenditure

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

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.17 Fruitless and wasteful expenditure (continued)

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.

1.18 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.24 Segmental Information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.25 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 35&41.

1.26 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.

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

1.27 Other accounting policy 1

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated
	R	2011
		R

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact:
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	
• IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011	
• IGRAP 6: Loyalty Programmes	01 April 2011	
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	
• IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011	
• IGRAP 10: Assets Received from Customers	01 April 2011	
• IGRAP 13: Operating Leases – Incentives	01 April 2011	
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011	
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	
• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011	
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	
• GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011	
• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	
• GRAP 12 (as revised 2010): Inventories	01 April 2011	
• GRAP 13 (as revised 2010): Leases	01 April 2011	
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	
• GRAP 105: Transfers of functions between entities under common control	01 April 2011	

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012			Restated 2011		
	R			R		
3. Property, plant and equipment						
	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	45 579 234	(5 595 660)	39 983 574	45 531 544	(4 073 334)	41 458 210
Plant and machinery	8 108 736	(3 306 292)	4 802 444	7 845 600	(2 172 328)	5 673 272
Furniture and fixtures	2 186 062	(1 312 824)	873 238	2 097 827	(1 060 393)	1 037 434
Motor vehicles	6 512 594	(4 097 151)	2 415 443	5 768 320	(3 307 160)	2 461 160
Office equipment	4 746 699	(2 984 899)	1 761 800	4 447 757	(2 079 805)	2 367 952
Park facilities	14 345 224	(1 242 264)	13 102 960	12 338 270	(616 491)	11 721 779
Water network	146 022	(4 331)	141 691	-	-	-
Total	81 624 571	(18 543 421)	63 081 150	78 029 318	(13 309 511)	64 719 807

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	41 458 210	47 689	(1 522 325)	-	39 983 574
Plant and machinery	5 680 562	255 149	(1 133 267)	-	4 802 444
Furniture and fixtures	1 043 480	87 500	(252 430)	(5 312)	873 238
Motor vehicles	2 450 608	765 378	(789 991)	(10 552)	2 415 443
Office equipment	2 280 945	472 956	(905 094)	(87 007)	1 761 800
Park facilities	11 721 779	2 006 954	(625 773)	-	13 102 960
Water network	141 691	-	-	-	141 691
	64 777 275	3 635 626	(5 228 880)	(102 871)	63 081 150

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	35 624 101	9 907 443	-	(4 073 334)	41 458 210
Plant and machinery	3 459 078	4 395 830	-	(2 181 636)	5 673 272
Furniture and fixtures	11 434 713	320 471	-	(10 717 750)	1 037 434
Motor vehicles	5 499 899	268 421	-	(3 307 160)	2 461 160
Office equipment	3 688 127	759 630	-	(2 079 805)	2 367 952
Park facilities	12 338 270	-	-	(616 491)	11 721 779
Water network	146 022	-	(141 691)	(4 331)	-
	72 190 210	15 651 795	(141 691)	(22 980 507)	64 719 807

Reconciliation of Work-in-Progress 2012

	Included within Community	Total
Additions/capital expenditure	998 939	998 939

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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R

4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 321 087	(832 890)	488 197	1 154 888	(641 823)	513 065

Reconciliation of intangible assets - 2012

	Opening balance	Additions through entity combinations	Amortisation	Total
Computer software	513 065	166 199	(191 067)	488 197

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	1 154 888	(641 823)	513 065

5. Investment in Associate

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
uThukela Water (Pty) Ltd	Amajuba DM	33.33 %	33.33 %	744 474 666	775 117 417

Investment carrying value is made up as follows:

33% of issued shares (100 shares at R0,01 each)	33	33
33% of retained portion of uThukela Water profit	744 474 633	775 117 384
Market value and Council's valuation of this investment	744 474 666	775 117 417

Market value and Council's valuation of this investment

Summary of uThukela Water (Pty)Ltd Financial Information:

	30 June 2012	30 June 2011
Equity	2 255 983 735	2 348 839 659
Liabilities	(242 147 096)	(242 236 437)
Total Equity and Liabilities	2 013 836 639	2 106 603 222
Total Assets	2 013 836 639	2 106 603 222

The annual financial statements of Uthukela Water (Pty)Ltd are prepared for the accounting period 01 July 2011 to 30 June 2012, which is the same as the Amajuba District Municipality, no adjustments were made to this effect. No loans were made to or received from the associate. No shares were sold nor any acquired during the year.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
6. Prepayments		
Halleluya Entertainment		580 964
Central Route Media TR		950 795
Lindinhlanhla Business		475 380
		<u>2 007 139</u>

7. Receivables from exchange transactions

Sundry debtors	<u>231 976</u>	<u>659 562</u>
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8. VAT receivable

VAT	<u>7 840 263</u>	<u>3 927 227</u>
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

9. Cash and cash equivalents

Cash and cash equivalents included in the statement of financial position comprise the following statement of amounts indicating financial position:

Petty cash	3 000	3 006
Bank balances	735 501	-
Call investment deposits	6 793 219	1 398 257
Bank overdraft	-	(13 049 866)
	<u>7 531 720</u>	<u>(11 648 603)</u>
Current assets	7 531 720	1 401 263
Current liabilities	-	(13 049 866)
	<u>7 531 720</u>	<u>(11 648 603)</u>

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012			Restated 2011		
	R			R		
9. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Cheque Account - 405 347 2593	735 501	(13 049 866)	1 082 716	735 501	(13 049 866)	1 082 716
ABSA BANK - 32 Day Notice - 907 431 6117	1 284 101	1 284 101	-	1 284 101	-	-
STANDARD BANK - 32 Day Notice - 068 448 3090 02	120 016	114 156	-	120 016	-	-
FIRST NATIONAL BANK - 90 Day Fixed - 743 545 87212	5 389 102	-	-	5 389 102	-	-
Total	7 528 720	(11 651 609)	1 082 716	7 528 720	(13 049 866)	1 082 716

10. Finance lease obligation

Capitalised Lease Liability	-	17 161
Sub-Total	-	17 161
Less: Current Portion Transferred to Current Liabilities Capitalised Lease Liability	-	(17 161)
Total External Loans	-	-
Minimum lease payments due - within one year	-	17 161
less: future finance charges	-	(17 161)
Present value of minimum lease payments	-	-

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG Grant	18 137 846	5 095 060
Emadlangeni bulk water grant	-	1 333 038
Shared services grant	799 969	799 969
2010 Sports Stadia Grant - Monte Vista	7 422 040	8 811 948
Sports & recreation grant	2 310 000	-
National lottery grant	3 116 000	3 116 000
Inter-government relation grant	417 000	417 000
Governance Expert Grant	436 271	436 271
Department of Public Works grant	1 210 000	411 000
Massification grant	1 978 000	1 978 000
Road Asset Management System Grant	1 304 872	-
Skills Development Grant	226 128	-
Boreholes Maintenance Grant	986 651	-
COGTA Groundwater Maintenance Grant	1 089 263	-
Finance Management Grant	1 004 920	-
	40 438 960	22 398 286
Movement during the year		
Balance at the beginning of the year	22 398 286	25 192 652
Additions during the year	143 351 579	129 125 070
Income recognition during the year	(125 310 905)	(131 919 436)
	40 438 960	22 398 286

Refer to Appendix G for a reconciliation of Conditional Grants and Receipts from National and Provincial Government and Other Donations and Public Contributions.

12. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Staff leave	569 538	829 893	(434 820)	-	964 611
Performance bonuses	1 011 101	-	-	(323 969)	687 132
	1 580 639	829 893	(434 820)	(323 969)	1 651 743

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Staff leave	832 186	-	(262 648)	569 538
Performance bonuses	605 350	405 751	-	1 011 101
	1 437 536	405 751	(262 648)	1 580 639

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date. Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
13. Payables from exchange transactions		
Trade payables	38 549 909	30 017 589
Retentions	8 438 368	9 350 282
Other creditors	387 274	827 074
	<u>47 375 551</u>	<u>40 194 945</u>

14. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	8 438 368	8 438 368
Trade and other payables	38 549 909	38 549 909
Sundry Creditors	387 274	387 274
	<u>47 375 551</u>	<u>47 375 551</u>

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	9 350 282	9 350 282
Trade and other payables	30 017 589	30 017 589
Sundry Creditors	827 074	827 074
	<u>40 194 945</u>	<u>40 194 945</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
15. Government grants and subsidies		
Equitable share	44 873 000	26 110 325
DWAF Water operating subsidy	1 585 000	-
Operating projects grant	34 896 835	47 538 263
Levies replacement grant	43 698 000	52 220 649
MSIG grant	790 000	750 000
Finance management grant	245 080	1 000 000
Skills development grant	-	8 847
Water demand management	235 729	-
Road asset management	382 128	-
Tourism signage development grant	42 750	-
Gambling board subsidy	-	426 502
	<u>126 748 522</u>	<u>128 054 586</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	5 095 060	5 095 060
Current-year receipts	41 211 000	-
Conditions met - transferred to revenue	(28 168 214)	-
	<u>18 137 846</u>	<u>5 095 060</u>
Conditions still to be met - remain liabilities (see note 11).		
Emadlangeni Bulk Water Supply		
Balance unspent at beginning of year	1 333 038	1 333 038
Current-year receipts	8 746 100	-
Conditions met - transferred to revenue	(5 615 308)	-
	<u>4 463 830</u>	<u>1 333 038</u>
Conditions still to be met - remain liabilities (see note 11).		
Tourism Signage		
Balance unspent at beginning of year	<u>799 969</u>	<u>799 969</u>
Conditions still to be met - remain liabilities (see note 11).		
2010 Base Camp and Academy (Monte Vista)		
Balance unspent at beginning of year	8 811 948	8 811 948
Conditions met - transferred to revenue	(1 389 908)	-
	<u>7 422 040</u>	<u>8 811 948</u>
Conditions still to be met - remain liabilities (see note 11).		
Sports and Recreation Grant		
Current-year receipts	1 365 000	-
Other	945 000	-

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
15. Government grants and subsidies (continued)	2 310 000	-
Conditions still to be met - remain liabilities (see note 11).		
National Lottery		
Balance unspent at beginning of year	3 116 000	3 116 000
Conditions still to be met - remain liabilities (see note 11).		
Inter-Governmental Relations Grant		
Balance unspent at beginning of year	417 000	417 000
Conditions still to be met - remain liabilities (see note 11).		
Governance Expert Grant		
Balance unspent at beginning of year	436 271	436 271
Conditions still to be met - remain liabilities (see note 11).		
Public Works (EPWP) Grant		
Balance unspent at beginning of year	411 000	411 000
Current-year receipts	799 000	-
	1 210 000	411 000
Conditions still to be met - remain liabilities (see note 11).		
Massification Grant		
Balance unspent at beginning of year	1 978 000	1 978 000
Conditions still to be met - remain liabilities (see note 11).		
WC/WD Management Grant		
Current-year receipts	770 000	-
Conditions met - transferred to revenue	(770 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
WSDP Grant		
Current-year receipts	512 025	-
Conditions met - transferred to revenue	(512 025)	-
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Road Asset Management System Grant		

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
15. Government grants and subsidies (continued)		
Current-year receipts	1 687 000	-
Conditions met - transferred to revenue	(382 128)	-
	<u>1 304 872</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
16. Other revenue		
Sundry income	<u>303 013</u>	<u>56 813 348</u>
17. General expenses		
Advertising	322 138	697 834
Assessment rates & municipal charges	149 786	305 002
Auditors remuneration	812 984	1 402 565
Bank charges	300 453	276 772
Cleaning	414 111	354 508
Consulting and professional fees	701 397	2 754 288
Entertainment	122 842	569 275
Insurance	345 671	266 137
Conferences and seminars	101 619	232 055
IT expenses	2 475	104 618
Audit Committee Costs	377 415	88 453
Lease rentals on operating lease	377 019	250 537
Fleet	312 943	282 744
Internal Audit Fees	842 830	139 641
Levies - SALGA	208 815	614
Magazines, books and periodicals	4 137	76 630
Placement fees	4 050	11 700
Postage and courier	3 430	5 720
Printing and stationery	159 261	356 526
Promotions	99 338	1 939 205
Protective clothing	-	11 591
License fees	311 562	136 578
Telephone and fax	1 586 556	1 238 269
Training	199 835	364 051
Travel - local	1 297 287	2 018 944
Electricity	662 022	524 389
Water	-	398
Tourism development	185 492	614 351
Other operating expenses	3 001 429	6 507 283
Grant Funded Expenditure	37 672 280	52 320 205
LED Projects Cost	631 339	7 497 027
Sports Development Programmes	2 178 826	5 331 501
Disaster Management Programmes	427 710	1 891 681
WSP Contributions	28 041 381	14 524 433
Social Development Programmes	2 210 162	47 229 240
	<u>84 068 595</u>	<u>150 324 765</u>
18. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
18. Operating deficit (continued)		
Operating lease charges		
Equipment		
• Contractual amounts	377 019	250 537
Gain on sale of property, plant and equipment	-	184 633
Impairment on property, plant and equipment	(102 871)	-
Depreciation on property, plant and equipment	5 419 947	4 420 665
Employee costs	38 033 788	35 489 821
Remuneration of Councillors	4 222 946	3 885 817

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
19. Employee related costs		
Basic	25 504 466	27 234 941
Bonus	2 777 309	2 188 970
Medical aid - company contributions	1 159 569	1 068 721
UIF	127 973	127 757
WCA	465 102	-
SDL	346 472	317 663
Other payroll levies	147 891	143 545
Leave pay provision charge	829 893	569 538
Post-employment benefits - Pension - Defined contribution plan	2 395 532	2 242 042
Travel, motor car, accommodation, subsistence and other allowances	3 800 616	1 248
Overtime payments	292 429	1 449 238
Housing benefits and allowances	219 287	141 865
Bargaining council contribution	6 729	4 293
	38 073 268	35 489 821
Remuneration of Municipal Manager		
Annual Remuneration	559 017	-
Car Allowance	232 160	-
Other	137 293	-
	928 470	-
The Municipal Manager has been in the employ of the municipality for 10 months of the financial year.		
Remuneration of Chief Financial Officer		
Annual Remuneration	462 833	-
Car Allowance	59 500	-
Other	11 671	-
	534 004	-
The Chief Financial Officer has been in the employ of the municipality for 7 months of the financial year.		
Corporate services		
Annual Remuneration	425 338	658 827
Car Allowance	181 906	-
Performance Bonuses	-	97 844
Other	94 976	92 881
	702 220	849 552
Director of Engineering services		
Annual Remuneration	274 940	658 827
Car Allowance	57 500	-
Performance Bonuses	-	97 844
	332 440	756 671

The Director: Engineering Services has been in the employ of the municipalit for 5 months of the financial year.

Director of development planning

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
19. Employee related costs (continued)		
Annual Remuneration	425 070	658 827
Car Allowance	215 329	-
Performance Bonuses	-	97 844
Other	61 821	-
	<u>702 220</u>	<u>756 671</u>
Director of Community Services		
Annual Remuneration	-	658 827
Performance Bonuses	-	97 844
Acting Allowance	-	178 538
	<u>-</u>	<u>935 209</u>
20. Remuneration of councillors		
Mayor	647 583	434 417
Deputy Mayor	403 161	64 745
Executive Committee Members	728 251	1 000 037
Speaker	508 361	280 892
Councillors	1 935 590	2 105 726
	<u>4 222 946</u>	<u>3 885 817</u>
21. Investment revenue		
Interest revenue		
Bank	970 238	1 849 253
	<u>970 238</u>	<u>1 849 253</u>
22. Depreciation and amortisation		
Property, plant and equipment	5 419 947	4 420 665
	<u>5 419 947</u>	<u>4 420 665</u>
23. Finance costs		
Other interest paid	32 383	5 586
	<u>32 383</u>	<u>5 586</u>
24. Auditors' remuneration		
Fees	812 984	1 402 565
	<u>812 984</u>	<u>1 402 565</u>
25. Contracted services		
Information Technology Services	37 249	9 418
Security Services	1 769 281	1 199 268
Water Tanker Services	5 205 290	-
Hygiene Services	19 158	53 900
	<u>7 030 978</u>	<u>1 262 586</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
26. Cash generated from (used in) operations		
Deficit	(11 961 167)	(10 336 309)
Adjustments for:		
Depreciation and amortisation	5 419 947	4 420 665
Profit on sale of assets	102 871	(184 633)
Impairment reversals	(102 871)	-
Movements in provisions	71 104	(1 849 253)
Contributions from Reserves - Current	-	(51 640 698)
Changes in working capital:		
Receivables from exchange transactions	427 586	-
Consumer debtors	-	332 617
Prepayments	2 007 140	-
Payables from exchange transactions	7 180 606	-
VAT	(3 331 601)	(5 101 072)
Unspent conditional grants and receipts	18 040 674	2 794 366
Trade Payables	-	(5 261 347)
Interest payable	-	(5 577)
	17 854 289	(66 831 241)

27. Commitments

Authorised capital expenditure

Already contracted for and provided

• Property, plant and equipment	66 818 000	66 580 400
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Not yet contracted for and authorised by Council

• Property, plant and equipment	7 500 000	2 466 000
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This committed expenditure relates to projects and will be financed by conditional grants and funds internally generated

28. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has contravened a contract by terminating the contract prior to the termination and is seeking damages of R 3 961 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and therefore no provision has been made in the financial statements.

29. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

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

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.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
29. Risk management (continued)		
Interest rate risk		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
Credit risk		
Credit risk consists mainly of cash deposits and cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
30. Going concern		
We draw attention to the fact that at 30 June 2012, while the municipality had total accumulated surpluses of R 734 181 718, the the current liabilities exceeded the current assets by R73 862 295 and that the available cash resources did not cover the commitments for unspent conditional grants with an amount of R32 907 240 uncovered .		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.		
31. Events after the reporting date		
The Section 139 intervention that was imposed by the MEC of COGTA in the province on the water entity uThukela Water (Pty) Ltd was lifted. This means that the WSAs, of which Amajuba District Municipality is one, must now exercise full responsibility as WSAs. There is discussion going on on dissolution of the entity and the WSAs resuming full responsibility on the water and sanitation function.		
32. Unauthorised expenditure		
Unauthorised expenditure	32 907 240	49 892 425
The unauthorised expenditure for the current financial year relates to the spending of conditional grants on other matters notrelated to the grant conditions.		
For the previous financial year, the matter is still under investigation and appropriate action will be taken when the matter is finalised		
There is currently no disciplinary action taken in respect to this unauthorised expenditure		
33. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	32 383	5 586
Fruitless and wasteful expenditure relates to interest charged on late payment of supplier invoices and early redemption of call deposit.		
34. Irregular expenditure		
Opening balance	62 844 406	20 946 188
Add: Irregular Expenditure - current year	17 154 355	41 898 218
	<u>79 998 761</u>	<u>62 844 406</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
34. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation (under investigation)		
Current year	17 154 355	-
Prior years	62 844 406	-
	<u>79 998 761</u>	<u>-</u>
Details of Irregular expenditure – current year		
	Disciplinary steps taken/criminal proceedings	
Overpayment of Councilor Allowances	None - pending MEC directive	384 421
Procurement done outside PPPFA Regulations	None - SCM Policy & Procedure to be reviewed	10 184 344
Procurement outside SCM not ratified	None	6 585 590
		<u>17 154 355</u>
35. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net deficit per the statement of financial performance	<u>(11 961 167)</u>	<u>(10 336 309)</u>
36. Reconciliation between budget and cash flow statement		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		
Operating activities		
Basis differences	<u>17 854 289</u>	<u>-</u>
Investing activities		
Basis differences	<u>(3 904 696)</u>	<u>-</u>
Financing activities		
Basis differences	<u>5 230 730</u>	<u>-</u>
Net cash generated from operating, investing and financing activities	<u>19 180 323</u>	<u>-</u>
37. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	208 815	183 468
Amount paid - current year	<u>(208 815)</u>	<u>(183 468)</u>
	<u>-</u>	<u>-</u>
Audit fees		
Current year subscription / fee	812 984	1 402 565
Amount paid - current year	<u>(812 984)</u>	<u>(1 402 565)</u>
	<u>-</u>	<u>-</u>

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R
37. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	7 095 245	-
Amount paid - current year	(7 095 245)	-
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	3 378 586	3 310 762
Amount paid - current year	(3 378 586)	(3 310 762)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>7 840 263</u>	<u>3 927 227</u>

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

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

Supply chain management regulations (SCM Deviations)

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		
Purchase of Mayoral Vehicle	750 000	-
Emergency Supply of Water - Emadlangeni	225 896	-
Assessment of Water Sources, Drilling of production boreholes and Geological Services	1 122 140	-
IDP/Budget Roadshows Event Management	1 075 000	-
Security services - temporary	494 264	-
Acquisition and Commissioning of CaseWare	141 257	-
SALGA Games - Catering and Transport	303 700	-
Extension of PABX System for new building	87 780	-
Other	32 833	41 898 218
	<u>4 232 870</u>	<u>41 898 218</u>

Refer to Appendix G for additional information

38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

39. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011
	R	R

40. 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.

The services and goods as detailed above were procured 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.

The deviations were reported to Council and ratified by Council as per the municipality's Supply Chain Management Policy.

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012		Restated 2011				
	R		R				
41. Statement of comparative and actual information							
2012							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Service charges	8 705 000	8 705 000	8 705 000	-	8 705 000	- %	
Investment revenue	2 000 000	200 000	200 000	970 238	(770 238)	485 %	
Transfers recognised - operational	92 138 000	94 893 000	94 893 000	126 748 522	(31 855 522)	134 %	
Other own revenue	5 225 000	270 000	270 000	303 013	(33 013)	112 %	
Total revenue (excluding capital transfers and contributions)	108 068 000	104 068 000	104 068 000	128 021 773	(23 953 773)	123 %	
Employee costs	(39 977 000)	(36 115 000)	(36 115 000)	(38 073 268)	1 958 268	105 %	
Remuneration of councillors	(4 646 000)	(5 532 000)	(5 532 000)	(4 222 946)	(1 309 054)	76 %	
Depreciation and asset impairment	(1 318 000)	(1 758 000)	(1 758 000)	(5 419 947)	3 661 947	308 %	
Finance charges	-	-	-	(32 383)	32 383	DIV/0 %	D
Other expenditure	(61 027 000)	(42 706 000)	(42 706 000)	(92 234 396)	49 528 396	216 %	
Total expenditure	(106 968 000)	(86 111 000)	(86 111 000)	(139 982 940)	53 871 940	163 %	
Surplus/(Deficit)	1 100 000	17 957 000	17 957 000	(11 961 167)	29 918 167	(67)%	(1)

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012	Restated 2011					
	R	R					
41. Statement of comparative and actual information (continued)							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome of origi- nal budg-
Transfers recognised - capital	76 093 000	75 397 000	75 397 000	-	75 397 000	-	%
Contributions recognised - capital and contributed assets	(85 346 000)	(80 332 000)	(80 332 000)	-	(80 332 000)	-	%
Surplus (Deficit) after capital transfers and contributions	(8 153 000)	13 022 000	13 022 000	(11 961 167)	24 983 167	(92)%	
Surplus/(Deficit) for the year	(8 153 000)	13 022 000	13 022 000	(11 961 167)	24 983 167	(92)%	

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

			2012	Restated			
			R	2011			
				R			
41. Statement of comparative and actual information (continued)							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	85 346 000	80 332 000	80 332 000	-	80 332 000	- %	
Sources of capital funds							
Transfers recognised - capital	76 093 000	75 397 000	75 397 000	34 280 023	41 116 977	45 %	
Internally generated funds	9 253 000	4 935 000	4 935 000	2 698 697	2 236 303	55 %	
Total sources of capital funds	85 346 000	80 332 000	80 332 000	36 978 720	43 353 280	46 %	
Cash flows							
Net cash from (used) operating	-	-	-	17 854 289	(17 854 289)	DIV/0 %	D
Net cash from (used) investing	-	-	-	(3 904 696)	3 904 696	DIV/0 %	D
Net cash from (used) financing	-	-	-	5 230 730	(5 230 730)	DIV/0 %	D
Net increase/(decrease) in cash and cash equivalents	-	-	-	19 180 323	(19 180 323)	DIV/0 %	D
Cash and cash equivalents at the beginning of the year	-	-	-	(11 648 603)	11 648 603	DIV/0 %	D
Cash and cash equivalents at year end	-	-	-	7 531 720	(7 531 720)	DIV/0 %	D

Amajuba District Municipality

Annual Financial Statements for the year ended 30 June 2012

Detailed Income statement

	Note(s)	2012 R	2011 R
Revenue			
Government grants & subsidies	15	126 748 522	128 054 586
Sundry Revenue		303 013	56 813 348
Interest received - investment	21	970 238	1 849 253
Gains on disposal of assets	21	-	184 633
Total Revenue		128 021 773	186 901 820
Expenditure			
Employee Related Costs	19	(38 073 268)	(35 489 821)
Remuneration of councillors	20	(4 222 946)	(3 885 817)
Depreciation and amortisation	22	(5 419 947)	(4 420 665)
Finance costs	23	(32 383)	(5 586)
Repairs and maintenance		(1 031 952)	(1 848 889)
Contracted services	25	(7 030 978)	(1 262 586)
Loss on disposal of assets		(102 871)	-
General Expenses	17	(31 825 573)	(59 159 761)
Grant Funded Expenditure		(37 259 807)	(16 582 803)
LED Projects Cost		(631 340)	(7 497 027)
Sports Development Programmes		(2 178 826)	(5 331 501)
WSP Contribution		(9 440 307)	(14 524 433)
Social Development Programmes		(2 732 742)	(47 229 240)
Total Expenditure		(139 982 940)	(197 238 129)
Deficit for the year		(11 961 167)	(10 336 309)

Appendix A
June 2012

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock	-	-	-	-	-	-	-
Structured loans	-	-	-	-	-	-	-
Funding facility	-	-	-	-	-	-	-
Development Bank of South Africa	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Lease liability							
Finance lease :71836458	71836458	17 161	-	17 161	-	-	-
		17 161	-	17 161	-	-	-
Annuity loans							
Government loans							
Total external loans							
Loan Stock	-	-	-	-	-	-	-

Appendix A
June 2012

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand
Structured loans	-	-	-	-	-	-
Funding facility	-	-	-	-	-	-
Development Bank of South Africa	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Lease liability	17 161	-	17 161	-	-	-
Annuity loans	-	-	-	-	-	-
Government loans	-	-	-	-	-	-
	-	-	-	-	-	-
	17 161	-	17 161	-	-	-

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	22 979 504	47 690	-	-	-	998 939	23 027 194	(1 682 064)	-	-	(768 048)	-	(2 451 112)	20 576 082
Recreational facilities	12 338 270	1 008 016	-	-	-	-	14 346 225	(616 491)	-	-	(625 773)	-	(1 242 264)	13 102 961
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	35 317 774	1 055 706	-	-	-	998 939	37 372 419	(2 298 555)	-	-	(1 394 821)	-	(3 693 376)	33 679 043

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Work in Progress	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General vehicles	5 768 321	764 825	-	-	-	-	6 523 146	(3 307 180)	-	-	(788 991)	(10 553)	(4 107 704)	2 415 442
Plant & equipment	7 845 600	253 829	-	-	-	-	8 099 429	(2 172 328)	-	-	(1 132 644)	-	(3 304 972)	4 794 457
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixings	2 108 184	82 189	-	-	-	-	2 191 373	(1 060 393)	-	-	(252 431)	(5 312)	(1 318 136)	873 237
Office Equipment	4 447 757	385 949	-	-	-	-	4 833 706	(2 079 805)	-	-	(905 094)	(87 007)	(3 071 906)	1 761 800
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	22 552 040	-	-	-	-	-	22 552 040	(2 381 270)	-	-	(753 278)	-	(3 144 548)	19 407 492
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	9 307	-	-	-	-	-	9 307	(688)	-	-	(623)	-	(1 321)	7 986
	43 732 209	1 476 782	-	-	-	-	44 209 001	(11 011 554)	-	-	(3 834 061)	(102 872)	(14 948 587)	29 260 414

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work In Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	78 048 983	2 532 488	-	-	-	888 939	81 581 420	(13 310 209)	-	-	(5 228 882)	(102 872)	(18 641 963)	62 939 457
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	1 154 888	166 199	-	-	-	-	1 321 087	(641 823)	-	-	(191 067)	-	(832 890)	488 197
Other	1 154 888	166 199	-	-	-	-	1 321 087	(641 823)	-	-	(191 067)	-	(832 890)	488 197
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	35 317 774	1 055 706	-	-	-	998 939	37 372 419	(2 288 555)	-	-	(1 394 821)	-	(3 693 376)	33 679 043
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	42 732 209	1 476 792	-	-	-	44 209 001	(11 011 654)	-	-	-	(3 934 061)	(102 872)	(14 948 587)	29 260 414
Agricultural/Biological assets	1 154 888	166 199	-	-	-	1 321 087	(641 823)	-	-	-	(191 067)	-	(832 890)	488 197
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	79 204 871	2 698 697	-	-	-	998 939	82 902 507	(13 952 032)	-	-	(6 419 949)	(102 872)	(19 474 853)	63 427 654

Appendix B

Analysis of property, plant and equipment as at 30 June 2012
Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Land and buildings																					
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure																					
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WiFi Infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets																					
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cometories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings														
Infrastructure														
Community Assets														
Heritage assets														
Specialised vehicles														
Other assets														
Agricultural/Biological assets														
Agricultural														
Biological assets														
Intangible assets														
Computers – software & programming														
Other														
Investment properties														
Investment property														
Total														
Land and buildings														
Infrastructure														
Community Assets														
Heritage assets														
Specialised vehicles														
Other assets														
Agricultural/Biological assets														
Intangible assets														
Investment properties														

**Segmental analysis of property, plant and equipment as at 30 June 2010
Cost/Revaluation
Accumulated Depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Work In Progress	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality														
Executive & Council	762 712	44 520	-	-	-	-	797 232	(425 110)	-	-	(132 854)	(175)	(657 939)	239 293
Finance	2 318 228	35 107	-	-	-	-	2 354 635	(1 120 020)	-	-	(355 395)	(7 336)	(1 482 751)	871 884
Planning and Development	2 527 044	423 212	-	-	-	-	2 950 256	(1 375 013)	-	-	(452 240)	(83 317)	(1 910 570)	1 039 686
Municipal Manager	7 364 198	814 632	-	-	-	-	8 178 830	(814 656)	-	-	(522 551)	(616)	(1 341 323)	6 837 507
Community Services	41 508 548	1 294 782	-	-	-	998 939	43 802 267	(5 215 391)	-	-	(2 190 734)	(10 580)	(7 416 705)	36 385 562
Corporate Services	16 471 268	71 162	-	-	-	-	16 542 430	(2 877 342)	-	-	(640 483)	(644)	(3 518 469)	13 023 961
Disaster Management	248 432	2 504	-	-	-	-	251 936	(53 315)	-	-	(44 185)	-	(97 510)	154 426
Engineering Services	8 013 145	11 777	-	-	-	-	8 024 922	(2 070 865)	-	-	(1 076 695)	(4)	(3 143 584)	4 875 338
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	79 204 873	2 698 696	-	-	-	998 939	82 902 508	(13 952 032)	-	-	(5 419 547)	(102 872)	(19 474 851)	63 427 657
Municipal Owned Entities														
Total	79 204 873	2 698 696	-	-	-	998 939	82 902 508	(13 952 032)	-	-	(5 419 547)	(102 872)	(19 474 851)	63 427 657
Municipality	-	-	-	-	-	998 939	82 902 508	(13 952 032)	-	-	(5 419 547)	(102 872)	(19 474 851)	63 427 657
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Segmental analysis of property, plant and equipment as at 30 June 2010
Accumulated Depreciation

Opening Balance Rand	Additions		Disposals		Transfers		Revaluations		Work in Progress		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment deficit		Closing Balance		Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
79 204 873	2 698 696	-	-	-	-	-	-	-	998 939	82 902 608	13 952 032	-	-	(5 419 947)	(102 872)	(19 474 851)	63 427 667									

Appendix D
June 2012

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
83 216 420	63 339 755	19 876 665	Executive & Council/Mayor and Council	44 877 412	24 149 467	20 727 945
56 460 659	25 863 777	30 596 882	Finance & Admin/Finance	45 480 995	22 261 556	23 219 439
3 765 508	24 538 573	(20 773 065)	Planning and Development/Economic Development/Plan	42 750	11 790 212	(11 747 462)
-	5 491 723	(5 491 723)	Health/Clinics	-	3 689 578	(3 689 578)
127 120	26 549 643	(26 422 523)	Comm. & Social/Libraries and archives	19 191	9 981 829	(9 962 638)
-	-	-	- Housing	-	-	-
-	-	-	- Public Safety/Police	-	-	-
-	-	-	- Sport and Recreation	-	-	-
-	-	-	- Environmental Protection/Pollution Control	-	-	-
-	-	-	- Waste Water Management/Sewerage	-	-	-
-	-	-	- Road Transport/Roads	-	-	-
47 151 927	55 274 463	(8 122 536)	Water/Water Distribution	2 259 536	15 267 283	(13 007 747)
-	-	-	- Electricity /Electricity Distribution	-	-	-
-	-	-	- Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
190 721 634	201 057 934	(10 336 300)		92 679 884	87 139 925	5 539 959
Municipal Owned Entities						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
Other charges						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
190 721 634	201 057 934	(10 336 300)	Municipality	92 679 884	87 139 925	5 539 959
-	-	-	- Municipal Owned Entities	-	-	-
-	-	-	- Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Appendix D
June 2012

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
190 721 634	201 057 934	(10 336 300)	Total	92 679 884	87 139 925	5 539 959

Appendix E(1)

June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year	Current year	Variance		Explanation of Significant Variances greater than 10% versus Budget
	2012	2012			
	Act. Bal.	Adjusted budget			
	Rand	Rand	Rand	Var	
Revenue					
Sale of goods	-	-	-	-	
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	8 705 000	(8 705 000)	(100.0)	Revenue from Water Sales not accounted for
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	-	-	-	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	33 524 414	-	33 524 414	-	Grant Transfers Capital not included in operational budget
Fines	-	-	-	-	
Government Grants - Equitable Share	44 873 000	44 873 000	-	-	
Government Grants - Levy Replacement Grant	43 698 000	43 698 000	-	-	
Government Grants - Operating Grants	3 654 169	6 322 000	(2 667 831)	(42.2)	Additional grant funding recognised from previous yers
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	303 013	270 000	33 013	12.2	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	

Appendix E(1)

June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Interest received - investment	970 238	200 000	770 238	385.1	Additional interest receipts due to balance of investments
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	127 022 834	104 068 000	22 954 834	22.1	
Expenses					
Personnel	(38 073 268)	(36 115 000)	(1 958 268)	5.4	Additional increase than anticipated
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(4 222 945)	(5 532 000)	1 309 055	(23.7)	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(5 419 947)	(1 758 000)	(3 661 947)	208.3	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(32 383)	-	(32 383)	-	
Debt impairment	-	-	-	-	
Collection costs	-	-	-	-	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	(1 031 952)	(1 307 650)	275 698	(21.1)	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	-	-	-	-	
Contracted Services	(7 030 978)	(3 450 000)	(3 580 978)	103.8	Additional expenditure incurred due to water shortages
Grants and subsidies paid	-	-	-	-	
Cost of housing sold	-	-	-	-	
General Expenses	(32 911 213)	(12 733 750)	(20 177 463)	158.5	
Other - Grant Funded Expenditure	(36 172 429)	(1 475 600)	(34 696 829)	351.4	Capital transfers not included in operational budget
Other - LED Project Costs	(631 340)	(2 650 000)	2 018 660	(76.2)	
Other - Sports	(2 180 564)	(2 210 000)	29 436	(1.3)	
Development Programmes					
Other - WSP Contribution	(9 440 307)	(17 409 000)	7 968 693	(45.8)	
Other - Social Development Programmes	(2 732 742)	(1 470 000)	(1 262 742)	85.9	
	(139 880 068)	(86 111 000)	(53 769 068)	62.4	
Other revenue and costs	(102 871)	-	(102 871)	-	
Net surplus/ (deficit) for the year	(12 960 105)	17 957 000	(30 917 105)	(172.2)	

Appendix E(2)

June 2012

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic	-	-	-	-	
Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Other charges					
	-	-	-	-	
	-	-	-	-	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	Yes/No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

ANNEXURE C

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON AMAJUBA DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- Annexure 'B' →
1. I have audited the financial statements of the Amajuba District Municipality set out on pages ~~xx to xx~~ which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local: Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Amajuba District Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

- 7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

- 8. As disclosed in note 34 to the financial statements, irregular expenditure amounting to R17,154 million was incurred, as a result of contracts being awarded to suppliers which contravened the Local Government: Municipal Supply Chain Management Regulations, 2005 (MSCMR).

Unauthorised expenditure

- 9. As disclosed in note 32 to the financial statements, the municipality incurred unauthorised expenditure of R32,907 million due to the expending of funds for purposes, which are not in accordance with the budget.

Going concern

- 10. As disclosed in note 30 to the financial statements, the municipality's current liabilities exceeded its current assets by R73,862 million, and suppliers were not paid within prescribed timeframes due to inadequate working capital. In addition, the cash and cash equivalents balance as at 30 June 2012 of R7,531 million was less than the unspent conditional grant balance of R40,439 million, indicating that the grants were not cash-backed. These conditions along with the other matters set forth in note 30 indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Significant uncertainty

- 11. As disclosed in note 28, the municipality is a defendant in a lawsuit against a service provider for the termination of a contract. The outcome of this lawsuit cannot be determined at present and no provision has been made for any liability that may result.

Additional matter

- 12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary information Appendix A - F of AFS

- 13. The supplementary information set out on pages ~~xx to xx~~ does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 14. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

- 15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report of the Amajuba District Municipality as set out on pages ~~xx to xx~~ of the annual report.

section 3.4
of Chapter 3

16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
17. The material findings are as follows concerning the usefulness of the information.

Usefulness of information

Consistency

18. Planned indicators included in the integrated development plan are not consistent with the annual performance report. In total 100% of all planned indicators and targets specified in the service delivery budget implementation plan for the year under review were not included in the integrated development plan submitted for audit purposes. This is due to the lack of understanding of the requirements of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) by performance management.

Additional matters

19. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

20. Of the total number of planned targets for the basic services objective, only 20 targets were achieved during the year under review. This represents 67% of total planned targets that were not achieved during the year under review.
21. Of the total number of planned targets for the local economic development objective, no targets were achieved during the year under review. This represents 100% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the Amajuba District Municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of accounts payable, irregular expenditure, property plant and equipment and contingent liabilities identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Audit committee

24. The audit committee did not review the financial statements to provide the council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA and DoRA, as required by section 166(2)(b) of the MFMA.
25. The audit committee did not meet at least four times a year, as required by section 166(4) (b) of the MFMA.
26. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2) (a) (iv) of the MFMA.
27. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2) (c) of MFMA.

Internal audit

28. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the accounting officer and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1) (c).

Procurement and contract management

29. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirements of MSCMR 17(a) and (c).
30. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as per the requirements of MSCMR 19(a) and 36(1).
31. Goods and services with transaction amount above R30 000 to R200 000 were procured without applying preferential point system as required by the Preferential Procurement Framework Act of South Africa, 2000 (Act No. 5 of 2000).

Expenditure management

32. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2) (e) of the MFMA.
33. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1) (d) of the MFMA.

Asset management

34. An effective system of internal control for assets was not in place, as required by section 63(2) (c) of the MFMA.

Internal control

35. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

36. The accounting officer did not exercise adequate oversight over financial and performance reporting and compliance as well as internal control. In this regard, the accounting officer did not periodically assess whether staff members had essential skills and knowledge to support the achievement of credible reporting and comply with designed policies and procedures. Although an action plan was developed, there was a lack in monitoring the implementation thereof to address internal control deficiencies as most of the findings reported in the previous year recurred in the current year.

Financial and performance management

37. Adequate processes were not in place to communicate timely and relevant information to those charged with governance. In addition, monthly reporting and reconciliation processes were not operating effectively. This is evidenced by material corrections in the financial statements as well as weaknesses in the usefulness of performance reporting.

Governance

38. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and provide oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations, as evidenced by misstatements in the financial statements and the performance report.

OTHER REPORTS

Investigations

39. Several investigations were initiated in the prior year based on the allegation of possible misappropriation of funds by employees of the municipality. These investigations were still ongoing at the reporting date.

Auditor-General

Pietermaritzburg

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

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ANNEXURE D

