Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998). The Municipality's operations are governed by:-Municipal Finance Management Act 56 of 2003 - Municipal Structure Act 117 of 1998 - Municipal Systems Act 32 of 2000 and various other acts and regulations.
Executive committee	
Mayor	Councillor T. Bikitsha
Speaker	Councillor Z. M. Mnqwazi
Chief Whip	Councillor Z Mkiva
Exco Councillors	Councillor N. Sheleni
	Councillor T.P Ntanga
	Councillor N. Jiya
	Councillor C. Mtsi
	Councillor L. Mgandela
	Councillor L. K. Ntshebe
	Councillor N. Skelenge
	Councillor Z Siyo
	Councillor M.E Ntshonga
	Councillor N. Layiti
	Councillor N. P. Dube
	Councillor T. Nkamisa
Councillors	Councillor M. Molosi
	Councillor Z. Sobekwa
	Councillor L. Tsipa
	Councillor T. Madikane
	Councillor Y. Mngonyama
	Councillor A.V. Mankune
	Councillor N.Tyala
	Councillor S. Mahlanza
	Councillor N.Q. Sukwana
	Councillor L.M. Mtalo
	Councillor C.N. Makholwa
	Councillor Mnqokoyi
	Councillor N. Luwaca
	Councillor N.S. Tsetse
	Councillor Z.Gade
	Councillor N. Phahlane
	Councillor A. Nkaule
	Councillor E. W. Nyengule
	Councillor T. Mbelani
	Councillor M. Buso
	Councillor M.D. Mkhwezo
	Councillor N. Nqata
	Councillor Z. Mqolo
	Councillor T. Dyani
	Councillor X. Nkwateni
	Councillor N. Njengele
	Councillor N.L Zaba
	Councillor M.S Velaphi

General Information

Councillor N. Mbuku
Councillor M. Magqabini
Councillor N. W. Mzimba
Councillor Q. A. Mpande
Councillor V. Bam
Councillor G. Q. Ngqongolo
Councillor M.W. Ntongana
Councillor T. Ntshawuzana
Councillor T. M. Ntisana
Councillor M. Zimba
Councillor Z. D. Solontsi
Councillor C. K. Mpeluza
Councillor Z. Bomela
Councillor M. Nyhontso
Councillor X. C. Doko
Councillor N. Lusizi
Councillor T.H Mpeta
Councillor N.M Mpambani
Councillor N.Ntolosi
Councillor N Thandaphi
Councillor S.L Mafanya
Councillor M.E Ntshonga
Councillor N. Monakali
Councillor N.N Nqolomlilo
Councillor Z Siyo
Councillor AA Krakri
Councillor L.S Sobekwa
Councillor G.N Nombila
Councillor B. Kave
Councillor Z. C. Mfazwe
Councillor TZ Xhongwana
Councillor G. Guqaza
Councillor N. Bomvana
Councillor N.H Kendle
Councillor T. Ntyinkala
Councillor K.G Magwaca
Councillor N.G Ndongeni
Councillor M. Mkhilili
Councillor T.P Ntanga
Councillor M. Ndungane
Councillor M. Mxhoko
Councillor S. N Tshazi
Councillor W.W Mbadlanyana
Councillor X. L. Pupuma
Councillor Z. Sogayise
Councillor B.M. Ganjana
Councillor N. Thandela
Councillor S. Ncetezo
Councillor N. Njengele
Councillor N. Plaaitjie

General Information

	Councillor G. Mdudo
	Councillor N. Sajini
	Councillor X.D.V Matanga
	Councillor S. Matutu
	Councillor N. R Tshona
	Councillor S.E Goloza
	Councillor L. Mbentsula
	Councillor S. Lilise
	Councillor T.C Nkutu
	Councillor A.B Madikane
	Councillor V. Nkehle
	Councillor T. Makeleni
TRADITIONAL LEADERS TO PARTICIPATE IN MNQUMA MUNCIPALITY COUNCIL	T. C. Magodla
	B.L Ntleki
	D.H Ndzimela
	P. Nguza
	V.L Mbasa
	W.M Mahlangeni
	N.S Ngxiya
	M. Dondolo
	Z.M Dyantyi
	M. Magodla
	N. Nyhila
	D. Mpangele
	B.B Vuso
	M. Nguza
	N.V.G Dondashe
	S. Mpeta
	O. M. Tsipa
	M. Mcotama
	M. C. Luzipo
	V. N. Kona
Grading of local authority	Medium Capacity Municipality
Chief Financial Officer (CFO)	L. Manjingolo
Accounting Officer	Mr Z Plata
Registered office	Corner King & Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960
Bankers	First National Bank

General Information

Relevant Legislation	Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act (Act 1 of 2015) Income Tax Act (Act 58 of 1962) Value Added Tax Act (Act 89 of 1991) Municipal Structures Act (Act 117 of 1998) Municipal Systems Act (Act 32 of 2000) Housing Act (Act 107 of 1997) Municipal Property Rates Act (Act 6 of 2004) Electricity Act (Act 41 of 1987) Skills Development Levies Act (Act 9 of 1999) Employment Equity Act (Act 55 of 1998) Basic Conditions of Employment Act (Act 75 of 1997)
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the former Butterworth, Ngqamakhwe (previously Ngqamakwe) and Centane Transitional Regional Councils. Mnquma Local Municipality shares borders with three other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the council:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and 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 upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on pages 7 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mr K Clock
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year two meetings were held.

Name of member	Number of meetings attended
Ms Gaehumelwe, Elizabeth Duitlweleng	2
Mr Sibongile Edward Madyaba	2
Mr Sizwe Mbewu	2
Ms Brenda Mponco	2

Audit committee responsibility

The audit committee reports that it has not complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and could not discharge all its responsibilities as contained therein. There was no oversight on the functions of the municipality for the entire financial year as no meetings (quarterly) were held and there was no Internal Audit function. The Audit Committee only reviewed the previous year's Annual Report and discussed the Management Letter with the AGSA. Although the Municipality had a Risk Management unit and a Risk committee Chairperson the function also was not fully functional during the year under review

The effectiveness of internal control

We are unable to report on whether the system of internal control over financial reporting for the period under review was efficient and effective or not as we did not have any oversight.

Evaluation of

- reviewed and discussed the unaudited Annual Financial Statements ;
- reviewed the annual report;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed changes in accounting policies and practices

Internal audit

There was no Internal Audit function in the municipality in the entire financial year and therefore audit committee cannot confirm that the risks pertinent to the municipality and its have been addressed through their audits.

Ms G.E.Duitlweleng (Chairperson of the Audit Committee)

Date: ____________________

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	9 910 454	9 109 781
Receivables from non-exchange transactions	4	26 614 207	3 277 346
VAT receivable	5	6 096 192	10 863 090
Receivables from exchange transactions	3	9 731 176	534 461
Cash and cash equivalents	6	10 228 731	22 252 751
		62 580 760	**46 037 429**
Non-Current Assets			
Investment property	7	4 985 152	6 572 432
Property, plant and equipment	8	847 309 796	851 983 680
		852 294 948	**858 556 112**
Non-Current Assets		852 294 948	858 556 112
Current Assets		62 580 760	46 037 429
Total Assets		**914 875 708**	**904 593 541**
Liabilities			
Current Liabilities			
Finance lease obligation	9	94 730	263 119
Payables from exchange transactions	10	38 872 041	24 051 631
Payables from non-exchange	11	2 456 830	1 649 228
Unspent conditional grants and receipts	12	9 483 213	7 658 173
Provisions	14	34 464 237	28 075 717
Bank overdraft	6	-	210 065
		85 371 051	**61 907 933**
Non-Current Liabilities			
Finance lease obligation	9	-	92 068
Non-Current Liabilities		-	92 068
Current Liabilities		85 371 051	61 907 933
Total Liabilities		**85 371 051**	**62 000 001**
Assets		914 875 708	904 593 541
Liabilities		(85 371 051)	(62 000 001)
Net Assets		**829 504 657**	**842 593 540**
Reserves			
Revaluation reserve	13	438 218 305	438 218 305
Accumulated surplus		391 286 350	404 375 235
Total Net Assets		**829 504 655**	**842 593 540**

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions	15	4 436 470	3 624 737
Service charges	16	2 459 832	2 847 755
Rental of facilities and equipment	17	6 775 025	5 073 904
Interest on outstanding debtors	18	3 204 814	2 768 727
Income from agency services	21	920 579	1 093 541
Licences and permits	19	675 611	1 144 157
Other income	20	3 817 824	5 335 609
Interest received - investment			
Total revenue from exchange transactions		**22 290 155**	**21 888 430**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	18 842 130	19 902 156
Transfer revenue			
Government grants & subsidies	23	287 454 558	320 305 732
Traffic fines		2 540 315	8 522 293
Total revenue from non-exchange transactions		**308 837 003**	**348 730 181**
		22 290 155	21 888 430
		308 837 003	348 730 181
Total revenue	24	**331 127 158**	**370 618 611**
Expenditure			
Employee related costs	25	(173 414 281)	(161 104 076)
Remuneration of councillors	26	(22 682 353)	(25 897 543)
Debt Collection costs		(306 628)	-
Depreciation and amortisation	30	(59 260 612)	(52 621 917)
Impairment loss	28	8 856 005	(22 919 682)
Finance costs	27	(934 517)	(716 628)
Debt Impairment	29	(784 327)	(3 335 292)
Bad debts written off	29	-	-
Collection costs		(40 270)	(43 088)
Repairs and maintenance	32	(6 983 808)	(6 461 432)
Bulk purchases	33	(10 237 373)	(9 268 135)
Grants and subsidies expenditure	34	(5 368 240)	(16 875 400)
General expenses	35	(73 258 597)	(75 103 230)
Total expenditure		**(344 415 001)**	**(374 346 423)**
		-	-
Total revenue		331 127 158	370 618 611
Total expenditure		(344 415 001)	(374 346 423)
Operating deficit		**(13 287 843)**	**(3 727 812)**
Gain (loss) on disposal of assets	39	237 695	(1 074 082)
Revaluation gain	36	-	1 147 630
Actuarial gains/ (losses)	39	(417 397)	145 827
		(179 702)	**219 375**
Operating surplus/deficit		(179 702)	219 375
Deficit before taxation		(13 467 545)	(3 508 437)
Taxation		-	-
Deficit for the year		**(13 467 545)**	**(3 508 437)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	**439 365 635**	**407 883 672**	**847 249 307**
Realisation of revaluation surplus	(1 147 751)	-	(1 147 751)
Net income (losses) recognised directly in net assets	(1 147 751)	-	(1 147 751)
Surplus (Deficit) for the year	-	(3 508 437)	(3 508 437)
Total changes	(1 147 751)	(3 508 437)	(4 656 188)
Restated* Balance at 01 July 2016	**438 218 305**	**404 753 895**	**842 972 200**
Changes in net assets			
Surplus (Deficit) for the year	-	(13 467 545)	(13 467 545)
Total changes	-	(13 467 545)	(13 467 545)
Balance at 30 June 2017	**438 218 305**	**391 286 350**	**829 504 655**

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 233 724	12 957 992
Grants		287 454 558	309 484 000
Interest income		3 817 824	5 335 609
		331 506 106	327 777 601
Payments			
Employee costs		(185 898 180)	(150 175 158)
Suppliers		(106 064 252)	(124 513 485)
Finance costs		(45 517)	-
Grant costs - disbursements		(5 472 219)	-
Other cash item		11 333 662	(29 272 764)
		(286 146 506)	(303 961 407)
Total receipts		331 506 106	327 777 601
Total payments		(286 146 506)	(303 961 407)
Net cash flows from operating activities	37	**45 359 600**	**23 816 194**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(56 569 535)	(66 048 036)
Proceeds from sale of property, plant and equipment		200 635	-
Movement in investments (incl. Controlled entities, JVs & Assoc)		-	3 336 666
Proceeds from sale of biological assets that form part of an agricultural activity		(417 397)	145 827
Net cash flows from investing activities		**(56 786 297)**	**(62 565 543)**
Cash flows from financing activities			
Finance lease payments		(387 258)	(387 258)
Net increase/(decrease) in cash and cash equivalents		**(11 813 955)**	**(39 136 607)**
Cash and cash equivalents at the beginning of the year		22 042 686	61 179 293
Cash and cash equivalents at the end of the year	6	**10 228 731**	**22 042 686**

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 099 866	-	**4 099 866**	4 436 470	**336 604**	
Rental of facilities and equipment	2 700 261	-	**2 700 261**	2 459 832	**(240 429)**	
Interest received received from debtors	4 524 671	-	**4 524 671**	6 775 025	**2 250 354**	46.1
Income from agency services	3 835 883	-	**3 835 883**	3 204 814	**(631 069)**	46.2
Licences and permits	919 976	-	**919 976**	920 579	**603**	46.3
Other income	5 144 265	-	**5 144 265**	675 611	**(4 468 654)**	46.4
Interest received - investment	4 500 000	-	**4 500 000**	3 817 824	**(682 176)**	46.5
Total revenue from exchange transactions	**25 724 922**	**-**	**25 724 922**	**22 290 155**	**(3 434 767)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19 472 102	-	**19 472 102**	18 842 130	**(629 972)**	46.6
Transfer revenue						
Government grants & subsidies	217 033 300	4 863 350	**221 896 650**	287 454 558	**65 557 908**	
Traffic fines	2 322 000	-	**2 322 000**	2 540 315	**218 315**	46.7
Total revenue from non-exchange transactions	**238 827 402**	**4 863 350**	**243 690 752**	**308 837 003**	**65 146 251**	
'Total revenue from exchange transactions'	25 724 922	-	**25 724 922**	22 290 155	**(3 434 767)**	
'Total revenue from non-exchange transactions'	238 827 402	4 863 350	**243 690 752**	308 837 003	**65 146 251**	
Total revenue	**264 552 324**	**4 863 350**	**269 415 674**	**331 127 158**	**61 711 484**	
Expenditure						
Personnel	(165 411 001)	4 141 308	**(161 269 693)**	(173 414 281)	**(12 144 588)**	
Remuneration of councillors	(24 421 029)	2 146 000	**(22 275 029)**	(22 682 353)	**(407 324)**	
Collection Cost	-	-	**-**	(306 628)	**(306 628)**	46.8
Depreciation and amortisation	(106 784 000)	-	**(106 784 000)**	(59 260 612)	**47 523 388**	
Debt impairment	(21 980 000)	-	**(21 980 000)**	8 856 005	**30 836 005**	
Finance costs	(1 200 000)	(105 000)	**(1 305 000)**	(934 517)	**370 483**	46.9
Bad debts written off	-	-	**-**	(784 327)	**(784 327)**	
Collection costs	-	-	**-**	(40 270)	**(40 270)**	
Repairs and maintenance	(7 757 000)	1 264 000	**(6 493 000)**	(6 983 808)	**(490 808)**	46.10
Bulk Purchases	(7 000 000)	-	**(7 000 000)**	(10 237 373)	**(3 237 373)**	46.11
Grants and subsidies expenditure	-	-	**-**	(5 368 240)	**(5 368 240)**	
General Expenses	(59 352 000)	(12 309 000)	**(71 661 000)**	(73 258 597)	**(1 597 597)**	46.12
Total expenditure	**(393 905 030)**	**(4 862 692)**	**(398 767 722)**	**(344 415 001)**	**54 352 721**	
	264 552 324	4 863 350	**269 415 674**	331 127 158	**61 711 484**	
	(393 905 030)	(4 862 692)	**(398 767 722)**	(344 415 001)	**54 352 721**	
Operating deficit	**(129 352 706)**	**658**	**(129 352 048)**	**(13 287 843)**	**116 064 205**	

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Gain on disposal of assets	590 000	-	**590 000**	237 695	**(352 305)**	46.13
Actuarial gain/loss	-	-	**-**	(417 397)	**(417 397)**	
	590 000	**-**	**590 000**	**(179 702)**	**(769 702)**	
	(129 352 706)	658	**(129 352 048)**	(13 287 843)	**116 064 205**	
	590 000	-	**590 000**	(179 702)	**(769 702)**	
Deficit before taxation	**(128 762 706)**	**658**	**(128 762 048)**	**(13 467 545)**	**115 294 503**	
Surplus before taxation	(128 762 706)	658	**(128 762 048)**	(13 467 545)	**115 294 503**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(128 762 706)**	**658**	**(128 762 048)**	**(13 467 545)**	**115 294 503**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 333 065	-	**8 333 065**	9 910 454	**1 577 389**	
Receivables from non-exchange transactions	5 194 895	-	**5 194 895**	26 614 207	**21 419 312**	46.14
VAT receivable	-	-	**-**	6 096 192	**6 096 192**	46.15
Receivables from exchange transactions	5 441 258	-	**5 441 258**	9 731 176	**4 289 918**	
Cash and cash equivalents	41 368 765	-	**41 368 765**	10 228 731	**(31 140 034)**	46.16
	60 337 983	**-**	**60 337 983**	**62 580 760**	**2 242 777**	
Non-Current Assets						
Investment property	717 334	-	**717 334**	4 985 152	**4 267 818**	46.17
Property, plant and equipment	900 836 821	(3 763 000)	**897 073 821**	847 309	**(49 764 025)**	
Intangible assets	135 000	-	**135 000**	796 -	**(135 000)**	46.18
	901 689 155	**(3 763 000)**	**897 926 155**	**852 294 948**	**(45 631 207)**	
Non-Current Assets	60 337 983	-	**60 337 983**	62 580 760	**2 242 777**	
Current Assets	901 689 155	(3 763 000)	**897 926 155**	852 294 948	**(45 631 207)**	
Total Assets	**962 027 138**	**(3 763 000)**	**958 264 138**	**914 875 708**	**(43 388 430)**	
Liabilities						
Current Liabilities						
Finance lease obligation	139 000	-	**139 000**	94 730	**(44 270)**	46.19
Payables from exchange transactions	46 719 144	-	**46 719 144**	38 872 041	**(7 847 103)**	46.20
Payable from non-exchange transactions	-	-	**-**	2 456 830	**2 456 830**	46.21
Unspent conditional grants and receipts	-	-	**-**	9 483 213	**9 483 213**	46.23
Provisions	-	-	**-**	34 464 237	**34 464 237**	46.22
	46 858 144	**-**	**46 858 144**	**85 371 051**	**38 512 907**	
Non-Current Liabilities						
Finance lease obligation	363 000	-	**363 000**	-	**(363 000)**	46.24
Provisions	7 281 000	-	**7 281 000**	-	**(7 281 000)**	
	7 644 000	**-**	**7 644 000**	**-**	**(7 644 000)**	
	46 858 144	-	**46 858 144**	85 371 051	**38 512 907**	
	7 644 000	-	**7 644 000**	-	**(7 644 000)**	
	-	-	**-**	-	**-**	
Total Liabilities	**54 502 144**	**-**	**54 502 144**	**85 371 051**	**30 868 907**	
Assets	962 027 138	(3 763 000)	**958 264 138**	914 875 708	**(43 388 430)**	
Liabilities	(54 502 144)	-	**(54 502 144)**	(85 371 051)	**(30 868 907)**	
Net Assets	**907 524 994**	**(3 763 000)**	**903 761 994**	**829 504 657**	**(74 257 337)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	443 447 662	-	**443 447 662**	438 218 305	**(5 229 357)**	
Accumulated surplus	464 077 559	-	**464 077 559**	391 286 351	**(72 791 208)**	
Total Net Assets	**907 525 221**	**-**	**907 525 221**	**829 504 656**	**(78 020 565)**	

Accounting Policies

1.Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.
In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.
In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtors impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing (Cash and non-cash generating units)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed ..

Effective interest rate

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

1.4 Investment property

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

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

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

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

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

1.4 Investment property (continued)

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5-100 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in entity or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in entity or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

Subsequent measurement

After initial recognition, infrastructure, community assets and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value . When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus in equity relating to a specific item infrastructure, community assets and operational buildings is transferred directly to retained earnings when the asset is derecognised.

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	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3-23 Years
Office equipment	Straight line	3-16 Years
Infrastructure		
• Roads and stormwater	Straight line	5-100 Years
Community	Straight line	
• Buildings		15-60 Years
• Recreational Facilities		15-80 Years
• Security		5 Years
• Halls		5-80 Years
• Libraries		7-60 Years
• Parks and Gardens		15-80 Years
• Other Assets		20-30 Years
Other property, plant and equipment	Straight line	
• Buildings		30-60 Years
• Specialised Vehicles		5-10 Years
• Other Vehicles		3-5 Years
• Watercraft		5-15 Years
• Bins and Containers		3-5 Years
• Specialised Plant and Equipment		10-15 Years
• Other items of Property Plant and Equipment		5-23 Years
• Computer Equipment		2-3 Years
• Plant and Machinery		5-31 Years
• Landfill Site		20-50 Years

1.5 Property, plant and equipment (continued)

Finance Lease

• Motor Vehicles	4-27 Years
• Office Eqipment	4-27 Years

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

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

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

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in entity or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.7 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. W hen calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms

of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

1.7 Investments in associates (continued)

A financial asset is:
- cash;
-a residual interest of another municipality; or
 a contractual right to:
- receive cash or another financial asset from another municiplity; or
- exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality

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

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

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of the municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

1.7 Investments in associates (continued)

`

Financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost

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

Financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector , either through established practices or legislation.

1.7 Investments in associates (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.
For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Derecognition

Financial assets

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.
If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.
If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.
If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

1.7 Investments in associates (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.9 Inventories

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

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

Useful life is either:

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

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

1.10 Construction contracts and receivables (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

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
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

1.10 Construction contracts and receivables (continued)

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 entity or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.10 Construction contracts and receivables (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 .

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, the selection depends on the availability of data and nature of the impairment:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

Restoration cost approach

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

Service units approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in entity or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 Employee benefits

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

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

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

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

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

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

1.12 Employee benefits (continued)

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

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

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the do not differ materially from the amounts that would be determined at the reporting date.

1.12 Employee benefits (continued)

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

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

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipslity to reimburse it for employee benefits already paid.
Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.
Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

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

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service. Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.
Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.
The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations. Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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.

1.13 Provisions and contingencies (continued)

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

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

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

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

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in entity or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation entity or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in entity or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in entity or deficit; and
  - an increase in the liability is recognised in entity or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in entity or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to entity or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in entity or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in entity or deficit as a finance cost as it occurs.

1.14 Commitments

Items are classified as commitments when the municipality has contractual future capital commitments to future transactions that will normally result in the outflow of cash as well as commitments relating to operating leases.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 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.

Sale of goods

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

Rendering of services

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

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

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

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

Investment income

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

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

1.16 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange
transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount
of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. W here a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. W hen a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.
Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.
The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.
The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.
Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.
Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.
Where settlement discount or reductions in the amount payable are offered , the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.
Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.
This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of

1.16 Revenue from non-exchange transactions (continued)

Financial Performance.

- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

Accounting Policies

1.22 Budget information (continued)

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

1.23 Related parties

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

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

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

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

1.24 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

1.25 Standards and interpretations issued, but not yet effective

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions
- identifying outstanding balances, including commitments, between an entity and its related parties
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.
Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.
The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.
The entity expects to adopt the standard for the first time in the 2017 financial statements.
It is unlikely that the standard will have a material impact on the entity's financial statements.

1.25 Standards and interpretations issued, but not yet effective (continued)

DIRECTIVE 11:Changes in measurement bases following the initial adoption of Standards of Grap

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.
Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
The effective date of the standard is for years beginning on or after 01 April 2016.
The entity expects to adopt the standard for the first time in the 2017 financial statements.
It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The entity expects to adopt the standard for the first time in the 2017 financial statements
It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.
The effective date of the standard is not yet set by the Minister of Finance.
The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.
It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.
The effective date of the standard is not yet set by the Minister of Finance.
The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.
It is unlikely that the standard will have a material impact on the entity's financial statements.

1.25 Standards and interpretations issued, but not yet effective (continued)

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset. The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's financial statements.

Figures in Rand	2017	2016 Restated *

2. Inventories

Consumable stores	3 277 916	2 477 243
Assets held for distribution	6 632 538	6 632 538
	9 910 454	**9 109 781**

In the current year an amount of R 2,751,162 (2016: R 2,477,243) was expensed with respect to consumable stores.

Inventory pledged as security

Assets held for distribution relate to land on which RDP houses are built and are awaiting transfers.
No Inventory was pledged as security.

3. Receivables from exchange

Gross balances		
Refuse	22 010 030	16 940 521
Housing rental	2 333 623	372 915
Other receivables	174 607	107 115
	24 518 260	**17 420 551**
Less: Allowance for impairment		
Refuse	(14 396 602)	(16 622 552)
Housing rental	(390 482)	(263 538)
	(14 787 084)	**(16 886 090)**
Net balance		
Refuse	7 613 428	317 969
Housing rental	1 943 141	109 377
Other receivables	174 607	107 115
	9 731 176	**534 461**
Reconciliation of allowance for impairment		
Balance at beginning of the year	16 886 090	13 919 473
Contributions to allowance	-	2 966 617
	16 886 090	**16 886 090**
Refuse		
Current (0 -30 days)	346 253	288 091
31 - 60 days	344 428	278 588
61 - 90 days	339 624	258 931
91 - 120 days	337 391	257 440
121 - 150 days	318 639	256 113
> 150 days	20 323 695	15 601 358
	22 010 030	**16 940 521**
Housing rental		
Current (0 -30 days)	131 894	4 843
31 - 60 days	137 297	2 629
61 - 90 days	132 894	3 370
91 - 120 days	132 226	2 578
121 - 150 days	131 623	3 094
> 150 days	1 667 689	356 401
	2 333 623	**372 915**

Figures in Rand	2017	2016 Restated *

3. Receivables from exchange (continued)

Other (specify)

> 365 days	174 607	107 115

Consumer debtors past due but not impaired

All consumer debtors which are past due were considered for impaiment in arriving to the impairment figures disclosed in the Annual Financial Statements.

4. Receivables from non-exchange transactions

Gross balances		
Property Rates	75 321 774	57 556 986
Fines	17 564 700	17 550 908
	92 886 474	**75 107 894**
Less: Allowance for impairment		
Property Rates	(48 747 267)	(56 424 335)
Fines	(17 525 000)	(15 346 893)
	(66 272 267)	**(71 771 228)**
Net balance		
Property rates	26 574 507	1 132 651
Fines	39 700	2 204 015
	26 614 207	**3 336 666**
Rates		
Current (0 -30 days)	1 788 642	1 357 952
31 - 60 days	1 784 718	1 327 288
61 90 days	1 740 970	1 302 695
91 - 120 days	1 714 735	1 288 872
121 days- 150 days	1 650 828	1 243 770
> 150 days	66 641 881	51 036 409
	75 321 774	**57 556 986**

5. VAT receivable

VAT	6 096 192	10 863 090

Figures in Rand	2017	2016 Restated *

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Bank balances	306 560	-
Short-term deposits	9 922 171	22 252 751
	10 228 731	**22 252 751**
Total Cash and cash equivalents	10 228 731	22 252 751
Total bank overdraft	-	(210 065)
	10 228 731	**22 042 686**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	Bank statement balances 30 June 2016	Bank statement balances 30 June 2015	Cash book balances 30 June 2017	Cash book balances 30 June 2016	Cash book balances 30 June 2015
Primary Bank Account-FNB :62237497872	72 470	(275 133)	1 677 668	284 575	(210 058)	1 663 183
FNB -MSP 622 402 53188	25 068	25 068	25 045	25 068	25 068	25 045
FNB-MIG 622 402 53542	1 604 254	19 409	3 406 481	1 604 254	19 409	3 406 481
FNB- Nqamakwe Survey 622 402 59615	-	-	101 419	-	-	101 419
FNB-FMG 622 402 52768	1 162	1 068	2 038	1 162	1 068	2 038
FNB-Centane Survey 622 402 60430	-	-	43 329	-	-	43 328
FNB-Siyanda Planning 622 402 62105	-	-	87 853	-	-	87 853
FNB-Centane Planning 622 402 61149	-	-	3 310	-	-	3 310
FNB-MSIG 622 402 54003	-	1 238	2 895	-	1 238	2 895
FNB-Siyanda Survey 622 402 59144	-	-	33 057	-	-	33 057
FNB- T/A Intervention 622 402 58568	23 756	23 756	23 735	23 756	23 756	23 735
FNB-DHLGTA 622 402 54673	-	-	28 139	-	-	28 139
FNB-Call Acc 622 402 52198	357 926	14 524 627	41 298 642	357 926	14 524 627	41 298 642
FNB-DEAT 622 402 56471	225 786	225 786	225 582	225 786	225 786	225 582
FNB-INEG 623 617 7559	378 242	9 316	5 142 422	378 242	9 316	5 142 422
FNB-EPWP 623 456 80195	1 022	411	1 057 941	1 022	411	1 057 941
FNB-EDSMG 623 799 87640	6 904 589	6 904 623	6 897 226	6 904 589	6 904 623	6 897 226
FNB-LGSETA 623 800 69437	400 366	517 411	1 136 949	400 366	517 411	1 136 949
Total	**9 994 641**	**21 977 580**	**61 193 731**	**10 206 746**	**22 042 655**	**61 179 245**

7. Investment property

	2017 Cost / Valuation	2017 Accumulated depreciation and accumulated impairment	2017 Carrying value	2016 Cost / Valuation	2016 Accumulated depreciation and accumulated impairment	2016 Carrying value
Investment property	60 143 926	(55 158 774)	4 985 152	60 143 926	(53 571 494)	6 572 432

7. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	6 572 432	(1 780 347)	4 985 152

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	9 632 063	(3 059 631)	6 572 432

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.

IThe municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act (Act 6 of 2004), the municipality is required to perform a general valuation once every four (4) years.
The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

8. Property, plant and equipment

	2017			2016 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 925 964	-	21 925 964	21 925 964	-	21 925 964
Plant and machinery	14 548 519	(3 258 032)	11 290 487	15 615 209	(2 655 706)	12 959 503
Furniture and fixtures	4 580 135	(2 560 949)	2 019 186	4 641 231	(2 336 147)	2 305 084
Motor vehicles	14 935 295	(5 299 955)	9 635 340	15 338 619	(4 625 163)	10 713 456
Office equipment	7 397 140	(3 272 053)	4 125 087	6 910 781	(2 508 398)	4 402 383
Infrastructure	1 467 899 974	(800 831 376)	667 068 598	1 424 348 628	(750 297 820)	674 050 808
Community	149 590 220	(58 904 495)	90 685 725	139 167 820	(55 707 471)	83 460 349
Other property, plant and equipment	153 945	(70 728)	83 217	153 945	(59 756)	94 189
Work in progress	40 476 192	-	40 476 192	42 071 944	-	42 071 944
Total	**1 721 507 384**	**(874 197 588)**	**847 309 796**	**1 670 174 141**	**(818 190 461)**	**851 983 680**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Write off	Transfers	Depreciation	Total
Land	21 925 964	-	-	-	-	21 925 964
Plant and machinery	12 959 503	-	(890 034)	-	(778 982)	11 290 487
Furniture and fixtures	2 305 084	117 070	-	-	(413 652)	2 019 186
Motor vehicles	10 713 456	-	(316 153)	-	(761 963)	9 635 340
Office equipment	4 402 383	504 384	-	-	(770 996)	4 125 087
Infrastructure	674 050 808	-	-	43 875 308	(50 533 556)	667 068 598
Community	83 460 349	-	-	13 455 887	(3 197 023)	90 685 725
Security Measures	94 189	-	-	-	(10 972)	83 217
Work in progress	42 071 944	55 948 081	-	(57 331 195)	-	40 476 192
	851 983 680	**56 569 535**	**(1 206 187)**	**-**	**(56 467 144)**	**847 309 796**

Reconciliation of property, plant and equipment - 2016 Restated

Land	21 925 964	-	-	-	-	-	21 925 964
Plant and machinery	12 418 685	1 525 490	(307 800)	-	-	(676 872)	12 959 503
Furniture and fixtures	2 661 734	325 707	(192 028)	-	-	(389 646)	2 305 084
Motor vehicles	11 605 647	-	(123 614)	-	-	(768 577)	10 713 456
Office equipment	3 687 358	1 457 240	(153 247)	-	-	(689 651)	4 402 383
Infrastructure	675 232 528	-	(498 028)	43 875 308	-	(44 559 000)	674 050 808
Community	72 846 136	-	-	13 305 919	149 968	(2 841 674)	83 460 349
Security Measures	105 161	-	-	-	-	(10 972)	94 189
Work in progress	33 964 597	62 739 599	-	-	4 632 252)	-	42 071 944
	834 447 810	**66 048 036**	**(1 274 717)**	**57 181 227**	**4 482 284)**	**(49 936 392)**	**851 983 680**

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.

Figures in Rand	2017	2016 Restated *

9. Finance lease obligation

Minimum lease payments due		
- within one year	94 730	284 355
- in second to fifth year inclusive	-	94 719
	94 730	379 074
less: future finance charges	-	(23 888)
Present value of minimum lease payments	**94 730**	**355 186**

Present value of minimum lease payments due		
- within one year	94 730	263 118
- in second to fifth year inclusive	-	92 068
	94 730	**355 186**

Non-current liabilities	-	92 068
Current liabilities	94 730	263 119
	94 730	**355 187**

The average lease term is 5 years. The finance lease is in respect of the motor vehicles and other office equipment . The nominal or effective interest rates varies . The municipality will take ownership when the lease term expires . The lease agreements do not provide for contingency rental payments.
The municipality's obligations under the finance leases are secured by the lessor's charge over the leased assets.

10. Payables from exchange transactions

Trade payables	20 109 981	10 592 463
Advance payment - consumer debtors	706 077	441 525
Unclaimed deposits	6 093 599	5 960 254
Payroll control	(117 580)	53 631
Retention payable	5 703 643	7 003 758
Other Creditors	6 376 321	-
	38 872 041	**24 051 631**

11. Payables from non-exchange transactions

Payments received in advance - Property rates	2 456 830	1 649 228

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Municipal Infrastructure Grant (MIG)	1 569 086	-
Department of Housing (Centane Planning)	-	1
Municipal Support Programme (MSP)	24 946	24 946
Intervention	23 623	23 623
Local Government (LGSETA)	398 416	514 871
Department of Housing and Local Government	-	1
Department of Minerals and Energy (Electrification)	372 411	-
Department of Minerals and Energy (Electricity Demandside Management)	6 870 040	6 870 040
DEAT Investment	224 691	224 691
	9 483 213	**7 658 173**

Figures in Rand	2017	2016 Restated *

12. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	7 658 173	18 479 904
Additions during the year	67 373 600	75 080 631
Income recognition during the year	(65 548 560)	(85 902 362)
	9 483 213	**7 658 173**

The above note presents the nature and extent of government grants recognised in the and an indication of other forms of government assistance from which the municipality has directly benefited as well as unfulfilled conditions or other contingencies attached to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

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

13. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

Opening balance	437 070 375	438 218 005
Change during the year	-	(1 147 630)
	437 070 375	**437 070 375**

14. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Leave Pay Provision	13 525 910	3 411 949	16 937 859
Employee Benefit Obligation	8 589 000	2 381 000	10 970 000
Bonus Provision	5 960 807	595 571	6 556 378
	28 075 717	**6 388 520**	**34 464 237**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Leave Pay Provision	10 758 499	2 767 411	13 525 910
Employee Benefit Obligation	7 281 000	1 308 000	8 589 000
Bonus Provision	4 931 642	1 029 165	5 960 807
	22 971 141	**5 104 576**	**28 075 717**

15. Service charges

Refuse removal	4 436 470	3 624 737

16. Rental of facilities and equipment

Premises		
Rental of flats	2 353 155	2 758 468
Hall hire	114 308	89 287
	2 467 463	**2 847 755**

17. Interest on outstanding debtors

	2017	**2016**
Interest on Refuse	(6 114 771)	(5 073 904)
Interest on Rates	(660 254)	-
	(6 775 025)	**(5 073 904)**

18. Income from agency services

	2017	2016
Agency services	3 204 814	2 768 727

19. Other income

Miscellaneous income	675 611	1 144 157

20. Interest received - Investment

Interest revenue		
Bank	3 817 824	5 335 609

21. Municipal - Licences and permits

Licences and permits	920 579	1 093 541

Conditions still to be met - remain liabilities (see note 12)

Figures in Rand	2017	2016 Restated *

22. Property rates

Rates charged

Property rates	20 041 273	21 142 873
Less: Rebates	(1 199 143)	(1 240 717)
	18 842 130	**19 902 156**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Tariffs are applied as follows:

Residential

A general rate of R0.01178 - (2016:R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial

A general rate of R0.01414- (2016: R0.01414) is applied to business and commercial property valuations to determine assessment rates.

Vacant

A general rate of R0.01414 - (2016:R0.01414) is applied to vacant and indutrial property valuations to determine assessment rates.

Public Services

A general rate of R0.00295 - (2016:R0.00295) is applied to vacant and indutrial property valuations to determine assessment rates.

Small Holdings and Farms

A general rate of R0.00295- (2016: R0.00295) is applied to vacant and indutrial property valuations to determine assessment rates.

Industrial

A general rate of R0.01414 - (2016:R0.01414) is applied to indutrial property valuations to determine assessment rates.

Rebates

Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Figures in Rand	2017	2016 Restated *

23. Government grants and subsidies

Operating grants		
Equitable Share	221 906 000	234 403 371
Municipal Systems Improvement Grant (MSIG)	-	932 029
Department of Housing (Centane Survey)	-	43 158
Finance Management Grant	1 763 055	1 601 131
Extended Public Works Programme	1 000 000	1 559 000
Government Grant	-	3 297
Department of Housing (Centane Planning)	-	32 927
Nqamakwe Survey	-	101 019
Department of Housing (Siyanda Survey)	-	87 506
Department of Housing and Local Government-(DHLG)	-	28 028
LG SETA	-	617 500
	224 669 055	239 408 966
Capital grants		
Municipal Infrastructure Grant (MIG)	58 157 914	65 896 766
Intergrated National Electrifiction Programme (INEP)	4 627 589	15 000 000
	62 785 503	80 896 766
	287 454 558	**320 305 732**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality.
All registered indigents receive the following subsidies:
1. For paraffin beneficiaries, every ward has 100 beneficiaries at 20 litre per person bi-monthly
2. For all electricity beneficiaries, 50 KW per month
3. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	3 729 766
Current-year receipts	59 727 000	62 167 000
Conditions met - transferred to revenue	(58 157 914)	(65 896 766)
	1 569 086	**-**

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	2 029
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(932 029)
	-	**-**

Centane Survey

Balance unspent at beginning of year	-	43 158
Conditions met - transferred to revenue	-	(43 158)
	-	**-**

Figures in Rand	2017	2016 Restated *

23. Government grants and subsidies (continued)

Centane Planning

Balance unspent at beginning of year	-	3 297
Conditions met - transferred to revenue	-	(3 297)
	-	**-**

Municipal Support Programme

Balance unspent at beginning of year	-	24 946
Current-year receipts	24 946	-
	24 946	**24 946**

Siyanda Survey

Balance unspent at beginning of year	-	32 927
Conditions met - transferred to revenue	-	(32 927)
	-	**-**

T/A Intervention

Balance unspent at beginning of year	23 623	23 623

Local government -SETA

Balance unspent at beginning of year	514 870	1 132 370
Current-year receipts	21 600	-
Conditions met - transferred to revenue	(138 055)	(617 500)
	398 415	**514 870**

Dept of Housing and Local Government

Balance unspent at beginning of year	-	28 029
Conditions met - transferred to revenue	-	(28 029)
	-	**-**

Department of Energy (EDM)

Balance unspent at beginning of year	6 870 040	6 870 040

DEAT Investment

Balance unspent at beginning of year	224 691	224 691

Nqamakwe Survey

Balance unspent at beginning of year	-	101 019
Conditions met - transferred to revenue	-	(101 019)
	-	**-**

Siyanda Planning

Balance unspent at beginning of year	-	87 506
Conditions met - transferred to revenue	-	(87 506)

Figures in Rand	2017	2016 Restated *

23. Government grants and subsidies (continued)

	-	-

Figures in Rand	2017	2016 Restated *

23. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	1 131
Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 601 131)
	-	-

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	1 052 651
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 559 000)
Other	-	(493 651)
	-	-

Intergrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	5 122 720
Current-year receipts	5 000 000	15 000 000
Conditions met - transferred to revenue	(4 627 589)	(15 000 000)
Other	-	(5 122 720)
	372 411	**-**

24. Revenue

Service charges	4 436 470	3 624 737
Rental of facilities and equipment	2 459 832	2 847 755
Interest received Outstanding debtors	6 775 025	5 073 904
Income from agency services	3 204 814	2 768 727
Licences and permits	920 579	1 093 541
Other income	675 611	1 144 157
Interest received - investment	3 817 824	5 335 609
Property rates	18 842 130	19 902 156
Government grants & subsidies	287 454 558	320 305 732
Fines	2 540 315	8 522 293
	331 127 158	**370 618 611**

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

Service charges	4 436 470	3 624 737
Rental of facilities and equipment	2 459 832	2 847 755
Interest earned on outstanding debtors	6 775 025	5 073 904
Income from agency services	3 204 814	2 768 727
Licences and permits	920 579	1 093 541
Other income	675 611	1 144 157
Interest received - investment	3 817 824	5 335 609
	22 290 155	**21 888 430**

Figures in Rand	2017	2016 Restated *

24. Revenue (continued)

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

Taxation revenue		
Property rates	18 842 130	19 902 156
Transfer revenue		
Government grants & subsidies	287 454 558	320 305 732
Fines	2 540 315	8 522 293
	308 837 003	**348 730 181**

Figures in Rand	2017	2016 Restated *

25. Employee related costs

Basic Salary	114 612 384	105 186 140
Performance Bonus	-	865 099
Medical aid	7 730 355	6 677 145
Unemployment Insurance Fund	851 766	829 705
Workmens compensation	993 758	3 017 036
Skills Development Levy	1 463 780	1 448 275
SALGA Levy	47 177	45 544
Leave pay provision charge	6 299 235	5 045 455
Pension fund contribution	19 738 473	17 564 092
Travel, motor car, accommodation, subsistence and other allowances	7 152 515	6 361 874
Overtime payments	1 325 076	1 088 189
13th Cheques	8 734 330	8 368 000
Acting allowances	1 442 882	1 482 761
Housing benefits and allowances	123 172	151 389
Other allowances	2 366 838	2 412 314
Cellphone allowances	532 540	561 058
	173 414 281	**161 104 076**

Remuneration of municipal manager - S Tantsi

Annual Remuneration	772 997	950 552
Leave Pay	520 919	-
Performance Bonuses	-	195 013
Backpay	14 626	105 771
Travel Allowance	152 455	187 473
Pension	-	189 799
Cellphone Allowance	68 340	84 040
UIF	1 487	1 785
Contributions to UIF, Medical and Pension Funds	154 346	-
	1 685 170	**1 714 433**

Remuneration of Chief Financial Officer - L. Manjingolo

Annual Remuneration	504 963	454 416
Back Pay	45 820	-
Performance Bonus	95 427	83 310
Pro-rata Bonus (Previous Position)	-	15 488
Contributions to Pension Fund	181 789	166 144
Medical Aid	49 915	78 000
Cellphone Allowance	32 011	58 800
Re-imbursive Allowance	12 028	3 216
Subsistence Allowance	2 170	6 761
UIF	1 785	1 785
Travel Allowance	60 000	-
	985 908	**867 920**

Figures in Rand	2017	2016 Restated *

25. Employee related costs (continued)

Remuneration of Director of Strategic Management - L. Nonyongo

Annual Remuneration	646 921	594 743
Performance Bonuses	143 760	127 135
Travel Allowance	190 040	174 712
Cellphone Allowance	89 925	84 040
Contributions to Pension Fund	96 218	88 457
Medical Aid	55 098	49 286
Subsistence Allowance	795	-
UIF	1 785	1 785
Re-imbursive Allowance	4 233	-
Backpay	10 269	-
Other	-	74 259
	1 239 044	**1 194 417**

Remuneration of the Director of Corporate Services - D. Mrwetyana

Annual Remuneration	646 920	594 743
Performance Bonuses	123 222	117 355
Backpay	10 268	74 259
Travel Allowance	203 921	187 473
Contributions to Pension Fund	97 038	89 212
Medical Aid	33 837	31 108
Cellphone Allowance	96 485	88 703
Re-imbursive Allowance	5 760	3 312
Subsistence Allowance	880	4 073
UIF	1 785	1 785
	1 220 116	**1 192 023**

Remuneration of Director of Infrastructure - K. Clock

Annual Remuneration	680 048	594 743
Performance Bonuses	133 492	127 135
Backpay	10 269	74 259
Travel Allowance	133 603	122 827
Cellphone Allowance	73 786	67 835
Contributions to Pension Fund	174 669	160 581
Medical Aid	16 095	45 252
Subsistence Allowance	1 890	15 318
Re-imbursive Allowance	10 933	450
UIF	1 785	1 785
	1 236 570	**1 210 185**

Remuneration of the Director of Local Economic Development - V. Madolo

Annual Remuneration	646 921	594 743
Performance Bonuses	133 492	88 016
Backpay	10 269	74 259
Travel Allowance	133 603	122 827
Cellphone Allowance	27 641	27 806
Contributions to Pension Fund	174 669	160 581
Medical Aid	95 368	85 281
Subsistence Allowance	1 785	6 419
Re-imbursive Allowance	9 533	1 665
UIF	1 785	1 785
	1 235 066	**1 163 382**

Figures in Rand	2017	2016 Restated *

25. Employee related costs (continued) Remuneration

of the Director of Community Services

Annual Remuneration	646 921	594 743
Backpay	10 269	-
Performance Bonuses	133 492	127 135
Contributions to UIF, Medical and Pension Funds	174 668	160 581
Cellphone allowance	73 786	67 835
Subsistence Allowance	6 007	6 105
UIF	1 785	1 785
Travel allowance	133 603	122 827
Re-imbursive Allowance	2 134	945
Medical Aid	49 216	45 248
Other	152 862	74 259
	1 384 743	**1 201 463**

The remuneration of all salaried employees is within the upper limits of the framework envisaged in section 219 of the Constitution.

26. Remuneration of councillors

Executive mayor	747 567	875 641
Chief whip	603 753	700 460
Speaker	642 180	746 303
Mayoral committee members	5 217 260	6 904 383
Other councillors	16 612 990	16 670 756
	23 823 750	**25 897 543**

27. Finance costs

Finance cost-Leases	45 137	27 363
Bank	380	265
Actuarial interest	889 000	689 000
	934 517	**716 628**

28. Impairment of assets

Impairments		
Trade and other receivables	(11 034 112)	22 919 682
Other receivables from non-exchange revenue	2 178 107	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	(8 856 005)	**22 919 682**
	(8 856 005)	22 919 682
	-	-

29. Bad debts written off

Bad debts written off	784 327	3 335 292
	784 327	**3 335 292**

Figures in Rand	2017	2016 Restated *

30. Depreciation and amortisation

Property, plant and equipment	59 260 612	49 557 735
Investment property	-	3 059 631
Amortisation	-	4 551
	59 260 612	**52 621 917**

31. Impairment Loss

Consumer debtors	1	18 632 289
Impairment - Fines	1	4 287 393
	2	**22 919 682**

The debt impairment amount is made up of the following:

Traffic Fines	-	4 287 393
Property Rates	-	15 665 672
Refuse	-	2 757 740
Rentals	-	208 877
	-	**22 919 682**

32. Repairs and maintenance

Repairs and maintenance	6 351 150	6 461 432

33. Bulk purchases

Electricity	4 304 223	3 648 331
Paraffin	5 933 150	5 619 804
	10 237 373	**9 268 135**

34. Grants and subsidies paid

Other subsidies

Grants and subsidies paid	5 368 240	16 875 400
Grants paid to ME's	-	-
Other subsidies	5 368 240	16 875 400

Figures in Rand	2017	2016 Restated *

35. General expenses

Advertising	1 012 532	3 294 291
Auditors remuneration	3 411 068	4 229 994
Bank charges	393 875	293 964
Cleaning	577 007	1 487 922
Computer expenses	41 546	528 118
Bank charges	2 374 141	2 498 256
Consumables	2 276 413	1 899 063
Legal fees	11 927 168	2 780 147
Refuse bags	4 493 915	5 427 586
Civic functions	5 294	16 620
Car licenses and registrations	2 460 025	1 510 131
Hire of equipment	267 345	399 383
Insurance	508 173	480 389
Community development and training	153 157	307 027
Conferences and seminars	186 198	250 952
Community awareness	83 930	140 748
Magazines, books and periodicals	-	30 258
Fuel and oil	2 971 282	2 984 887
Petty Cash	(18)	3 030
Printing and stationery	1 373 109	1 572 191
Security	6 353 987	1 390 400
Subscriptions and membership fees	-	5 375
Operating lease	7 293 346	6 974 134
Electricity	2 318 762	1 915 290
Water	527 844	1 075 956
Operating project expenditure	13 333 353	24 472 949
Subsistence and travelling	5 322 103	5 592 579
Sundry expenses	620 720	367 903
Operating lease	1 559 291	1 401 673
Civic functions	1 365 145	1 725 512
Membership fees	39 075	22 520
Tools and Equipment expenses	8 811	23 982
	73 258 597	**75 103 230**

36. Revaluation gain

Revaluation gain	-	1 147 630

Figures in Rand	2017	2016 Restated *

37. Cash generated from operations

Deficit	(13 467 545)	(33 932 560)
Adjustments for:		
Depreciation and amortisation	52 621 917	103 019 757
Movement in assets	1 074 082	5 085 272
Revaluation gain	-	(1 147 630)
Movements from prior year.	(39 878 723)	-
Impairment loss	(8 856 005)	22 919 682
Bad debts written off	784 327	3 335 292
Movements in employee benefit obligation	5 250 703	5 250 703
Movements in provisions	6 388 520	(5 104 576)
Actuarial Gains/Losses	-	-
Actuarial Gains/Losses	-	(145 827)
Prior year error	-	2 405 675
Other non-cash items	53 621 174	(6 194 056)
Changes in working capital:		
Inventories	15 801 010	(30 254 117)
Receivables from exchange transactions	(5 777 973)	(5 777 973)
Receivables from exchange transactions	(25 514 968)	1 314 392
Other receivables from non-exchange transactions	(18 906 870)	(18 906 870)
Payables from exchange transactions	14 820 411	(7 521 116)
VAT	4 766 898	-
Payables from non-exchange transactions	807 602	291 878
Unspent conditional grants and receipts	1 825 040	(10 821 732)
	45 359 600	**23 816 194**

38. Grants expenditure

Ngqamakhwe survey	-	281 842
Electrification of Ngcisininde	4 059 288	13 932 922
Training of interns	-	120 350
Operation clean audit	1 170 897	1 131 807
PMS implementation	-	49 293
Operation clean audit: Budget	-	263 158
Training of staff & council	138 055	631 190
Township roads: Infrastructure	-	435 037
Website maintenance: Executive	-	29 800
	5 368 240	**16 875 399**

39. Gain (loss) on disposal of assets

Gain (loss) on disposal of assets	237 695	(1 074 082)

40. Auditors' remuneration

Fees	3 411 068	4 229 994

41. Commitments Authorised

capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	70 948 353	58 987 367

42. Related parties

Relationships	
Acting Municipal Manager	Z . Plata
Chief Financial Officer	L. Manjingolo
Director of Strategic Management	L. Nonyongo
Director of Corporate Services	D. Mrwetyana
Director of Infrastructural Planning & Development	K. Clock
Director of Community Services	Z. Plata
Director of Local Economic Development	V. Madolo
Mayor	T. Bikitsha
Speaker	Z. M. Mnqwazi
Chief Whip	Z. Mkiva
Exco Councillor	T.P Ntanga
Exco Councillor	Z. Siyo
Exco Councillor	N. P. Dube
Exco Councillor	N. Sheleni
Exco Councillor	L. Mgandela
Exco Councillor	N. Nkamisa
Exco Councillor	N. Skelenge
Exco Councillor	M.E Ntshonga
Exco Councillor	N.Layiti
Exco Councillor	N. Jiya
Exco Councillor	C. Mtsi
Councillor	M. Molosi
Councillor	Y. Mngonyama
Councillor	A.V Mankune
Councillor	N.Tyala
Councillor	S. Mahlanza
Councillor	N. Q. Sukwana
Councillor	Z. Sobekwa
Councillor	L. M. Mtalo
Councillor	C. N. Makholwa
Councillor	Z. Mnqokoyi
Councillor	N. Luwaca
Councillor	N.S Tsetse
Councillor	L. Tsipa
Councillor	Z.Gade
Councillor	N. Phahlane
Councillor	A. Nkaule
Councillor	E. W. Nyengule
Councillor	T. Mbelani
Councillor	M. Buso
Councillor	M.D. Mkhwezo
Councillor	N. Nqata
Councillor	Z. Mqolo
Councillor	T. Dyani
Councillor	X. Nkwateni
Councillor	T. Madikane
Councillor	N. Zaba
Councillor	N. Njengele
Councillor	N. W. Mzimba
Councillor	M.S Velaphi
Councillor	N. Mbuku
Councillor	Q. A. Mpande
Councillor	M. Magqabini
Councillor	V. Bam
Councillor	G. Q. Ngqongolo
Councillor	M. W. Ntongana
Councillor	T. Ntshawuzana
Councillor	T. M. Ntisana
Councillor	M. Zimba
Councillor	D. Solontsi

42. Contingencies (continued)

Related parties

Councillor	C. K. Mpeluza
Councillor	Z. Bomela
Councillor	M. Nyhontso
Councillor	X. C. Doko
Councillor	N. Lusizi
Councillor	T. H. Mpeta
Councillor	N. M. Mpambani
Councillor	N. Ntolosi
Councillor	N. Thandaphi
Councillor	S. L. Mafanya
Councillor	M. E. Ntshonga
Councillor	N. Monakali
Councillor	N. N. Nqolomlilo
Councillor	Z. Siyo
Councillor	A. A. Krakri
Councillor	L. Sobekwa
Councillor	G. N. Nombila
Councillor	B. Kave
Councillor	Z. C. Mfazwe
Councillor	T. Z. Xhongwana
Councillor	G. Guqaza
Councillor	N. Bomvana
Councillor	N. H. Kendle
Councillor	T. Ntyinkala
Councillor	K. G. Magwaca
Councillor	N. G. Ndongeni
Councillor	M. Mkhilili
Councillor	T. P. Ntanga
Councillor	M. Ndungane
Councillor	M. Mxhoko
Councillor	S. N. Tshazi
Councillor	W. W. Mbadlanyana
Councillor	X. L. Pupuma
Councillor	Z. Sogayise
Councillor	B. M. Ganjana
Councillor	N. Thandela
Councillor	S. Ncetezo
Councillor	N. Njengele
Councillor	N. Plaaitjie
Councillor	G. Mdudo
Councillor	N. Sajini
Councillor	X. D. V. Matanga
Councillor	S. Matutu
Councillor	N. R. Tshona
Councillor	S. E. Goloza
Councillor	L. Mbentsula
Councillor	S. Lilise
Councillor	T. C. Nkutu
Councillor	A. B. Madikane
Councillor	V. Nkehle
Councillor	T. Makeleni
Traditional leader	T. C. Mogodla
Traditional leader	P. Nguza
Traditional leader	B. L. Ntleki
Traditional leader	D. H. Ndzimela
Traditional leader	S. Mpeta
Traditional leader	V. L. Mbasa
Traditional leader	W. M. Mahlangeni
Traditional leader	N. S. Ngxiya
Traditional leader	Z. M. Dyantyi
Traditional leader	M. Magodla
Traditional leader	N. Nyhila

42. Contingencies (continued)

Related parties	D. Mpangele
Traditional leader	B. B. Vuso
Traditional leader	M. Dondolo
Traditional leader	O.M. Tsipa
Traditional leader	M. Mcotama
Traditional leader	M. C. Luzipo
Traditional leader	M. Nguza
Traditional leader	N. V. G. Dondashe
Traditional leader	V. N. Kona

Transactions with related parties were concluded at arm's length.

Refer to note 24 for a breakdown of councillors' remuneration.
Refer to note 23 for a breakdown of amounts paid to section 56 managers.

43. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Receivable from exchange transactions	24 936 642	534 461
Receivables from non - exchange	2 204 015	3 336 666
Bank, cash and cash equivalents	9 922 171	22 252 751

44. Going concern

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

45. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

46.1 Management planned to implement a revenue enhancement strategy during the financial year. The objective of this programme is to increase the collection rate and reduce the debtor's book leading to a decrease in interest income from debtor's accounts..

46.2 The municipality anticipated that there will be many vehicles to be registered during the financial year in line with the incremental budget approach which is appropriate for budgeting for such revenue items.

46.3 The variance is caused by the increase in the number of people that came to book for learners licences. Throughout the financial year the municipality has been conducting traffic awareness campaigns that have assisted in terms of making communities aware of these services rendered by the municipality

46.4 The variance is caused by a refund that was received by the municipality from Cape Joint Pension fund and the Credit balances that were realized during the financial year.

46.5 The variance is caused by the fact that the municipality had spent most of its budget by the 3^{rd} quarter.

46.6 Management implemented the Revenue Enhancement Strategy during the financial year. The objective of this programme is to increase the collection rate and reduce the debtor's book leading to a decrease in interest income from debtor's accounts.

46.7 The collection has dropped because of the traffic awareness campaigns that are conducted regularly.

46.8 The budget is included under general expenses.

46.9 The difference is caused by the reduction on the outstanding balance for finance leases as they will be paid in full by December 2017.

46.10 In the current year management over budgeted for repairs and maintenance as the municipality did not channel more funds to the purchase of new plant.

46.11 The municipality has under budgeted for the Paraffin and Electricity (Indigent). .

46.12 Management has under budgeted for the legal fees and security services. .

46.13 This is attributable to de-recognition of Infrastructure Assets as new assets are constructed. The municipality anticipated to have gain when disposing the assets.

46.14 There has been an increase in the provision for debt impairment which has led to the decrease in debtor's balances at year end.

46.15 The budget for VAT receivables is inleded on the Receivables from non-exchange transactions. Furthermore, there are returns due that have not yet been paid by SARS.

46.16 This has been over budgeted for. In the current year the management implemented programmes that ensured that service delivery projects are fast-tracked

46.17 This is caused by the reclassification of PPE into investment property during the year.

46.18 This is due to de-recognition of intangible assets during the year.

46.19 This is caused by the decrease in the outstanding balance for finance leases as the remaining balance will be paid up by December 2017.

46.20 This is due to retention liability that was not budgeted for during the current year.

Figures in Rand	2017	2016 Restated *

45. Budget differences (continued)

46.21 The municipality received payments in advance from its rates and services consumers. Due to the nature of this balance the municipality does not budget for it since it is an unlikely occurrence that consumers would overpay for services given the collection rates the municipality has experienced over the years.

46.22 This is budgeted for under payables from exchange transactions. .

46.23 The municipality planned to spend all the conditional grants as per the Capital and Operating budget of the municipality.

46.24 The municipality has over budgeted for this item.

46. Unauthorised expenditure

Unauthorised expenditure	26 345 663	216 694 962

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	40 650	3 752 105
Other	-	42 694
	40 650	**3 794 799**

48. Irregular expenditure

Opening balance	273 130 799	157 393 177
Add: Irregular Expenditure - current year	37 270 453	115 737 622
Less: Amounts condoned	-	-
	310 401 252	**273 130 799**

48. Irregular expenditure (continued)

Details of irregular expenditure – 30 June 2017

	Disciplinary steps taken/criminal proceedings	
The functionality criteria was not clearly defined as required by paragraph 4 of the PPPFA regulations for the following service providers		-
Timocraft (pty) lt	None	-
Cab training academy	None	-
Ningasideli co-operative	None	611 167
ICT Choice	None	-
Vusaken engineering consulting	None	-
Sebata municipal solution	None	13 070
Amabombo Trading CC	None	3 010 197
Qamani Trading Centre	None	178 733
Ipm Plant Hire	None	5 395 138
Igubevu Construction	None	133 000
Imvusa Trading JV Castlehill Trading	None	2 086 428
Imvusa Trading 491	None	4 574 874
Naniswa	None	2 072 527
Zengele's Supply Services	None	4 482 093
Izocon Consortium	None	3 559 645
Naniswa JV	None	6 823 524
Akhanani-Thalami JV	None	3 509 297
Nomzamo Wethu Primary Co-operative	None	310 000
Sonke Solid Waste Primary Co-operative Limited	None	510 760
		37 270 453

	2017	2016 Restated *

48. Irregular expenditure (continued)

Details of irregular expenditure - 30 June 2016

	Disciplinary steps taken/criminal proceedings	
Opening balance 01 July 2015		203 104 139
No valid Tax clearence certificate	None	550 431
Remuneration paid to councillors in contravention with paragraph 16 of Government Gazzete No. 39548 of 21 December 2015	None	3 530 776
The bidder scoring the highest points was not selected and objective criteria was not used to justify that reasonable grounds exist not to select the tender with the highest points	None	1 911 799
The contract with the other organ of state was for a period from March 2013-February 2015. Mnquma Local Municipality only entered into a contract with the service provider on 23 June 2015, therefore that other contract was not valid at the time of appointment	None	56 194
The functionality criteria was not clearly defined as required by paragraph 4 of the PPPFA regulations	None	54 046 015
The lease agreement had expired, therefore there was no valid contract at the time expenditure was incurred	None	16 405
The procurement of goods/ works/ services were deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/SCM regulations.	None	5 175
The service provider who met the requirements of the tender quoted over R1m and the tender advert said 80/20 therefore this should have been re-advertised.	None	1 708 785
The winning supplier did not submit a declaration of interest.	None	845 351
There is no B-BBEE certificate attached	None	221 029
There was no SCM representative in the BAC Meeting	None	52 150 819
This contract is for more than R200 000.00 but it was not procured through a Competitive Bidding process and there was no deviation to support this. This was procured as a Small Bid	None	1 126 617
Written price quotations were not obtained from at least three different prospective suppliers.	None	10 195 537
Written price quotations were not obtained from at least three different prospective suppliers. No documentation to prove that a competitive Bid process was followed or a Small Bid occurred.	None	299 049
		329 768 121

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2017	2016
Current year subscription / fee	110 595	1 521 261
Amount paid - current year	(110 595)	(1 521 261)
	-	-

Figures in Rand	2017	2016 Restated *

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

Audit fees

Opening balance	2 066	46 561
Current year subscription / fee	3 895 855	4 822 193
Amount paid - current year	(3 804 779)	(4 866 688)
	93 142	**2 066**

PAYE, SDL and UIF

Opening balance	-	1 803 238
Current year subscription / fee	28 656 125	26 198 316
Amount paid - current year	(26 332 375)	(28 001 554)
	2 323 750	**-**

Pension and Medical Aid Deductions

Opening balance	-	2 049 824
Current year subscription / fee	42 614 138	40 522 337
Amount paid - current year	(38 899 533)	(42 572 161)
	3 714 605	**-**

VAT

Opening balance	10 863 090	3 528 671
Amount received/paid	(27 088 788)	(5 669 490)
Amount claimed - current year	22 321 889	13 414 086
VAT Adjustment	-	(410 177)
	6 096 191	**10 863 090**

VAT receivable	6 096 192	10 863 090

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

Supply chain management regulations

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

50. Deviation from supply chain management regulations

MONTH	DEPARTMENT	GOODS/SERVICES REQUESTED	SERVICE PROVIDER	REASON FOR DEVIATION	AMOUNT
JULY	BTO - FLEET	Procurement for service - MNQUM 3 EC	Buffalo Toyota - east London	The vehicle is the product of Buffalo Toyota and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R2,776.90
JULY	BTO	Procurement of Stamps	S.A Post Office	S.A Post Office is the only company dealing with stamps. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R2,7410
JULY	BTO- FLEET	Procurement of Service - HBN 425 EC	Fleet Dynamics	The vehicle is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider	R4,430.74
JULY	BTO- FLEET	Procurement of Service - FCX 277 EC	Buffalo Toyota - East London	The vehicle is the product of Buffalo Toyota and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider	R5,753.20
JULY	BTO- FLEET	Procurement for Repairs - FCX 595 EC	Buffalo Toyota - East London	The vehicle is the product of Buffalo Toyota and it has a problem with power. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider	R10,683.75
JULY	BTO	License Renewal	CQS Technology	The Institution is current using the software from CQS Technology Holding ;Therefore the reason for deviation is based in terms of the SCM regulation 36(1)(a) (v) that allows the accounting officer to deviate in any exceptional case where it is impractical or impossible to follow the official procurement processes	R6,7891.08
JULY	BTO -FLEET	Procurement for repairing hydraulic leakage for HBN 412 EC	TFM Manufacturing - East London	The above mentioned truck has a hydraulic leakage problem and TFM Manufacturing – East London is the only company that is dealing with hydraulic leakage. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R9,895.20

50. Deviation from supply chain management regulations (continued)

JULY	BTO- FLEET	Procurement of service - HML 534 EC	Buffalo Toyota - east London	The vehicle is the product of Buffalo Toyota and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R3,873.10
JULY	BTO	Procurement of service for FCx 591 EC	Buffalo Toyota - east London	The vehicle is the product of Buffalo Toyota and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R6,845.05
August	BTO	Procurement of New Starter - HBN 412 EC	Fleet Dynamics	The Compactor Truck is the product of Fleet Dynamics and it needs a new starter as the oldis not repairable. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R18,360.43
August	BTO	Repairs for FCX 565 EC	Competition Motors	The motor vehicle mentioned above is very important for the smooth operations of the municipality and therefore it needs to be repaired as a matter of urgency. As the problem with the car is unknown, it is impossible to obtain quotations as the car needs to be stripped apart first before the mechanics can diagnose the problem. We therefore have taken it to a mechanical shop in our database for them to repair it and deviated from the normal SCM processes.Therefore the reason for deviation is based in terms of the SCM regulation 36(1) (a)(v) that allows the accounting officer to deviate in any exceptional case where it is impractical or impossible to follow the official procurement processes	R2,490.90
August	BTO	Procurement of Servicing TLB – HLH 282 EC	Bell Equipment	The TLB is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R2,2363.02
August	BTO	Service for Hauler Roller	Bell Equipment	The Hauler Roller is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R11,562.31
August	BTO	Procurement of Servicing Grader – HKP 022 EC	Bell Equipment	The Grader is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R24,337.23

50. Deviation from supply chain management regulations (continued)

August	BTO	Procurement of Service- FCX 571 EC	Buffalo Toyota- East London	The Motor Vehicle is the product of Buffalo Toyota- East London and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R4,917.45
August	BTO	Service- MNQUM 5 EC	Buffalo Toyota- East London	The Motor Vehicle is the product of Buffalo Toyota- East London and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R5,362.10
August	BTO	Service for FCX 568 EC	Buffalo Toyota- East London	The vehicle is the product of Buffalo Toyota - East London and due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R6,228.95
August	BTO	Service for FCX 277 EC	Competition Motors	The motor vehicle mentioned above is very important for the smooth operations of the municipality and it is due for service. therefore we have taken it to a mechanical shop in our database for service and deviated from the normal SCM processes. Therefore the reason for deviation is based in terms of the SCM regulation 36(1)(a)(v) that allows the accounting officer to deviate in any exceptional case where it is impractical or impossible to follow the official procurement processes	R3,539.70
August	BTO	Service for Grader – HKP 016 EC	Bell Equipment	The Grader is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R24,337.23
August	BTO	Procurement of service for FCX 571 EC	Buffalo Toyota- East London	The toyota corrola is the product of of Buffalo Toyota- East London and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a)(ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R2,664
August	BTO	Procurement of Service – DKS 036 EC	Malcomess Temp	The Motor Vehicle is the product of Malcomess Temp and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R16,260.40
August	BTO	Procurement of Repairs – Grid Roller	Bell Equipment	The Roller is the product of Bell Equipment and it needs repairs. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R7,900.20

50. Deviation from supply chain management regulations (continued)

August	BTO	Repairs for FCX 568 EC	Competition Motors	This motor vehicle mentioned above is very important for the smooth operations of the municipality and therefore it needs to be repaired as a matter of urgency. As the problem with the car is unknown, it is impossible to obtain quotations as the car needs to be stripped apart first before the mechanics can diagnose the problem. We therefore have taken it to a mechanical shop in our database for them to repair it and deviated from the normal SCM processes.	R33,402
August	Infrastructure	Procurement of a service provider for Plumbing services	Gads Construction, Plumbing & Other Trading (Pty) Ltd	Gads Construction, Plumbing & Other Trading (Pty) Ltd was appointed by the institution to provide plumbing services in five (5) municipal buildings as the backup systems as the area was declared as one faced with drought disaster in the district and currently we are faced with serious water challenges; but due to time constraints and the need for the service so as to keep the business operations intact in the institution, it was therefore impractical to follow SCM processes. The reason for deviation is based in terms of the SCM regulation 36(i)(a)(i) that allows the accounting officer to deviate only when in emergency cases	R125,717.50
August	BTO	Repairs for FCX 571 EC	Competition Motors	This motor vehicle mentioned above is very important for the smooth operations of the municipality and therefore it needs to be repaired as a matter of urgency. As the problem with the car is unknown, it is impossible to obtain quotations as the car needs to be stripped apart first before the mechanics can diagnose the problem. We therefore have taken it to a mechanical shop in our database for them to repair it and deviated from the normal SCM processes.	R43,730.40
August	BTO	Service for FGR 541 EC	Fleet Dynamics	The Skip truck is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R13,563.96
SEPTEMB ER	BTO	Service and Repairs for HBN 428 EC	Fleet Dynamics	The Truck is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R23,887.83
SEPTEMB ER	BTO	Replacement of engine to a compactor truck- HRD494EC	Fleet Dynamic	The motor vehicle is the product of Fleet Dynamic. The reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or avaliable from a single service provider	R330,600

50. Deviation from supply chain management regulations (continued)

SEPTEMBER	BTO	Repairs for charging Box - FRP 064 EC	Goscor Hi-Reach	The Manlifter is the product of Goscor Hi-Reach and it needs repairs for charging box. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R22,322
SEPTEMBER	COMMUNITY SERVICES	Procurement of Close Protection Security Services	Masakhane Security Services	Due to lack of capacity on security management within the institution to provide services of a close protection security services, it is important to procure servis of the private security to assist on providing such service to minimize the risk and safeguarding of municipal assets and persnnel, the resoan for deviation is based in terms of regulation 36(i)a(i) that allows the accounting officer to drviate only when in emergency cases	R298,400.16
October	BTO	Service and Repairs for MNQUM 3 EC	Buffalo Toyota	The vehicle is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R6,964.80
October	BTO	Repairs for FCX277 EC	Buffalo Toyota	The vehicle is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R6,439.75
October	BTO	Service and Repairs – DHL 870 EC (FUSO Truck)	Ronnies Motors	The truck is the product of Ronnies Motors and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R30,233.10
October	BTO	Repairs for Grid Roller	Bell Equipment	The Grid Roller is the product of Bell Equipment and it needs repairs. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R43,758.67
October	BTO	Repairs FCX 568 EC	Competition Motors	The motor vehicle mention above needs to be repaired as matter of ugency. We therefore have taken it to a mechanical shop in our database and deviated from the SCM process	R5,175.60
October	BTO	Repairs FNN 788 EC	Kemach Equipment	The vehicle is the product of Kemach Equipmen and it needs repairs. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R38,826.48

50. Deviation from supply chain management regulations (continued)

October	BTO	Repairs for Vehicle HML 537 EC	Buffalo Toyota	The vehicler is the product of Fleet Dynamic and it needs repairs. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R5,672.55
October	BTO	Repairs for Grid Roller	Kemach Equipment	The Grid Roller is the product of Kemach Equipmen and it needs repairs. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R43,758.67
NOVEMBE R	BTO - FLEET	Procurement for service - MNQUM 3 EC	Service for HBN 412 EC	The vehicle is the product of Fleet Dynamics and it is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R29,030.80
December	Corporate Services	Vouchers for Performance Awards	REBOSIS PROPERTY FUND LTD T/A Hemingways Shopping Centre	The reason for deviation is in terms of the SCM regulation 36(1) (a) (v) that allows the accounting officer to deviate in any exceptional case where it is impractical or impossible to follow the official procurement processes. These vouchers are only available at REBOSIS PROPERTY FUND LTD T/A Hemingways Shopping Centre so it is impractical to evaluate the suppliers based on any other criteria	R296,000
JANUARY	BTO	Replacement of cutting edge for Grader – HKP 016 EC	Bell Equipment	The Grader is the product of Bell Equipment and it needs replacement of cutting edge. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only	R17,004.10
JANUARY	BTO	Replacement of cutting edge for Grader – HKP 022 EC	Bell Equipment	The Grader is the product of Bell Equipment and it needs replacement of cutting edge. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R17,004.10
JANUARY	BTO	Repairs of Grid Roller	Fleet Dynamics	The Compactor truck is the product of Fleet Dynamics and it needs reconditioning of an engine. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R4,200.27
JANUARY	BTO	Repairs for Grader - HKP 022 EC	Bell Equipment	The Grader is the product of Bell Equipment and it needs replacement of a rim. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R29,050.16

50. Deviation from supply chain management regulations (continued)

JANUARY	STRATEGIC	Conference Hall for Management Workshop on Municipal Policies and By-Laws	Belle's Guest House	Belle's Guest House is the only venue that is available on the mentioned dates of the workshop which has a Conference Hall that accommodate more than 100 people; Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only.	R69,000
JANUARY	BTO	Repairs for Tipper Truck - FLW 699 EC	Fleet Dynamics	The tipper truck is the product of Fleet Dynamic-East London and it needs to be repaired Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R33,946.58
JANUARY	BTO	Procurement for four new batteries and freight charges-FRP 064 EC	Goscar Hi-Reach	The Manlifter is the product of Goscar Hi-Reach and it needs replacement of batteries and freight charge. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R26,498.16
JANUARY	STRATEGIC	Conference Hall for Technical working session	Belle's Guest House	Belles Guest House is the only venue that is available on the mentioned dates of the workshop which has a conference Hall that accommodate more than 100 people; Therefore the reason for deviation is based in terms of SCM regulation 36(i) (a) (ii) that follows the accounting officer to deviate when goods or services are produced or available from a single provider	R40,500
FEBRUARY	BTO	Repairs for Tractor	Malcomess Temp Agri	The Tractor is the product of Malcom Temp Agri and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only	R2,880.20
FEBRUARY	BTO	Service for Grader - HLH 016 EC	Bell Equipment	The Grader is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R13,349.35
FEBRUARY	BTO	Repairs for TLB - HLH 282 EC	Bell Equipment	The TLB is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R11,009.32
FEBRUARY	BTO	Service for Grader - HKP 022 EC	Bell Equipment	The Grader is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) when goods or services are produced or available from a single provider only.	R14,384.02

50. Deviation from supply chain management regulations (continued)

March	BTO	Service for a Truck FNY 763 EC	Peugair Border cc	The vehicle is the product of Fleet Dynamics and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R44,392.90
March	BTO	Service of TLB - 282 EC	Bell Equipment	The TLB is the product of Bell Equipment and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R10,125.09
March	BTO	Service of Pathfinder -HDP 583 EC	Automall Nissan	The vehicle is the product of Automall Nissan and is due for service. Therefore the reason for deviation is based in terms of SCM regulation 36 (i) (a) (ii) that allows the accounting officer to deviate when goods or services are produced or available from a single provider only	R11,185.4
APRIL	CORPORATE	Evaluation of 32 Job Descriptions for Managers with Task Team	Delloitte	A Supply Chain Management policy allow the accounting officer to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convinient process, which may include direct negotiation, if such goods or services are produced or available from a single provider. Delloitte Consulting is the proprietor of and the hold all interctual property and other proprietary rights to the T.A.S.K job evaluation system, including the consulting services relationg thereto. Accordingly, no other service provider is permitted to licenseor generally provide consulting services in relation to the T.A.S.K job evaluation system.	R14,3640
APRIL	BTO	Repairs for Medium Truck – HBN 428	Fleety Dynamics	The Medium truck is the product of Fleet Dynamics and it needs repairs. It is impractical to follow procurement scm processes due to the fact that the repairs are to be done by Fleet Dynamics. Therefore reason for deviation is based in terms of SCM regulation 36(i)(a)(v) that allows the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes	R7,936.79
May	Corporate Services	Tuition Fees for Ms Wakashe Studying Btech in Management	Walter Sisulu University	Walter Sisulu University is the local Institution, where the learner has registered to further her studies for BTech in Management. The student is enrolled at Walter Sisulu University and has been awarded a bursary by the Municipality; Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) that the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	R17,860

50. Deviation from supply chain management regulations (continued)

May	Corporate Services	Tuition Fees for Cllr Skelenge Studying End User Computing	Silulo Ulutho Technologies	Silulo Ulutho Technologies is the local service provider, where the learner has registered to further his studies for End Eser Compiting. The student is enrolled at Silulo Ulutho Technologies and has been awarded a bursary by the Municipality; Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) that the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	R4,500
May	BTO-Financial Reporting	Training of Sebata	Sebata	Sebata is the proprietor that is currently offering the EMS system for Mnquma Local Municipality, Sebata has rolled out training for the Sebata EMS Training for SCM, Assets and Inventory modules; Therefore the reason for deviation is based in terms of SCM regulation 36(i)(a)(ii) that the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	R4,651.2
June	BTO	Services for Grader - HKP 022 EC	Bell Equipment	The Motor Grader is the product of Bell Equipment and is due for service. It is impractical to follow procurement scm processes due to the fact that it needs to be serviced at Bell Equipment. Therefore reason for deviation is based in terms of SCM regulation 36(i)(a)(v) that allows the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes	R20,900.42
June	BTO	Services for Grader - HKP 016 EC	Bell Equipment	The Motor Grader is the product of Bell Equipment and is due for service. It is impractical to follow procurement scm processes due to the fact that it needs to be serviced at Bell Equipment. Therefore reason for deviation is based in terms of SCM regulation 36(i)(a)(v) that allows the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes	R19,741.15
June	9BTO	New Radiator for HBN 424 EC	Fleet Dynamics	FleetThe Motor Grader is the product of Fleet Dynamics and is due for service. It is impractical to follow procurement scm processes due to the fact that it needs to be serviced at Fleet Dynamics. Therefore reason for deviation is based in terms of SCM regulation 36(i)(a)(v) that allows the accounting officer to deviate in any other exceptional case where it is impractical or impossible to follow the official procurement processes Dynamics	R16,532.60

50. Deviation from supply chain management regulations (continued)

June	BTO	Towing and repairs of the brake system for lowbed trailer-FWR	TFM Manufacturing	The brake system of a lowbed trailer for FWR 647 EC is the product of TFM Manufacturing needs to be towed and repaired at TFM Manufacturing and need to be towed and repair. It is impractical to follow procurement scm processes due to the fact that it needs to be serviced at TFM Manufactures. Therefore reason for deviation is based in terms of SCM regula	R25,308
Grand Total					R2,292,967

Figures in Rand	2017	2016 Restated *

51. Contingencies

As at 30 June 2017, the municipality had the following contigent assets and contigent liabilities:

Cases against the municipality

Case 1087/08 Langulabantu Construction vs Municipality		
Claim for construction done and not paid. Case pending awaiting trial date from the Register of the High Court (File 14/16/68)	292 920	292 920
Case 1152/07 Atlas Construction vs Municipality		
Claim for services rendered. No further action by the applicant, file closed until further action taken. (File 14/16/76)	238 572	238 572
Case No Letter of demand A.K. Gqiba vs Mnquma Municipalty		
Claim for monies not paid after retirement.On trial and proceeding with evidence	-	9 100
Case No 744/2012 Thozamile Kenneth Semekazi vs Mnquma Municipality		
Costs of the application made by the applicant. Matter was heard and postponed sine die.	85 000	85 000
Case No. 803/2013- D. Poncana vs Mnquma Municipality		
Suing the Municipality for damages after his car was impounded by traffic Officer Ngalo. Filed notice on intention to defend. Plaintiff's Attorneys are yet to furnish us with the local address for service of further pleadings.	18 000	18 000
Case No. RC 539/2012 Buyile George vs Eskom &Mnquma Local Municipality		
Claim for loss of support on behalf of the minor children of the deceased E.N. Joni and for funeral expenses. Filed notice of intention to defend. Plaintiff's Attorneys are yet to furnish us with local address for service of pleadings	240 655	240 655
Case No. 2524/2012 : Bongile Maxam vs Mnquma Municipality		
Suing the municipality for unlawful arrest, detention and assault by traffic officers. Filed of intention to defend. Further pleadings are to be exchanged.	250 000	250 000
EC/MTHA/RC/1023/12 N. Mbangeni vs Mnquma Municipality & Others		
Plaintiff's claim is for suffering resulting from unlawful arrest and detention.Exchanging pleadings	300 000	300 000
Case No. 84/12 MC : Siyephu vs Mnquma Municipality & Others		
Claim for damages as a result of assault of assault by traffic officers.Ready for trial	100 000	100 000
Case No. 90/13 : Thamsanqa Mcatshulwa vs Mnquma Local Municipality		
Claim against the municipality for damages to plaintiff's immovable property. Exchanging pleadings.	21 795	21 795
Case No: 329/14 John Okyne vs Mnquma Local Municipality.		
Claim against the municipality for damages. Pleading stage	100 000	100 000
Case No: 1289/12 Khayalethu Buso & Mzuxolile Mbiko vs Minister of Police & Constable Nkukwana		
Case of a joinder application joining the traffic office Buso on the proceedings.Case on the pleading stage.	100 000	100 000
Case No. 10/2015 : Lizo Mkhatshane and Others v Mnquma		
Urgent application by applicants for an interdict at Ngqamakwe. Postponed on the 5th march 2015 and referred to an opposed roll.	150 000	150 000
Case No.PR285/15: Ntshatsheli Nogcantsi v Mnquma		
This a review application before the labour Court wherein the applicant seeks the reviewal of the arbitration award. Matter is still at the pleading stage and the heards of argument are to be filed.	1 005 453	-
Mziwoxolo Mgaguli v Mnquma Local Municipality – Case No. 4338/16 - Heading		
Case No.3461/15: Zolile Mshumpela v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention.Matter is still at the pleading stage.	1 008 000	1 008 000
Case No. RC 451/15: Tembela Van Der Berg v Mnquma		
Plaintiff issued summons claiming for alleged unlawful arrest and detention.Matter is still at the pleading stage.	360 000	360 000
Case No.1406/15: Geoffery Whittal v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention. Matter is still at the pleading stage.	1 064 000	1 064 000
Sandiso Manxeba v Mnquma Local Municipality – Case No. 1042/15 - Claim for damages as a result of potholes (Default Judgment	58 216	-

Figures in Rand	2017	2016 Restated *

51. Contingencies (continued)

	2017	2016
	5 392 611	**4 338 042**

52. Prior period errors

2016 closing balances and 2017 opening balances

Statement of financial position	**Previously reported**	**Adjustment**	**As restated**	**Reference**	
Infrastructure assets	51 195 765	5 985 462	57 181 227	1	
Community assets	83 310 381	149 968	83 460 349		-
Work in progress	45 508 432	(3 436 488)	42 071 944	2	
Accumulated surplus	404 813 213	(185 590)	404 627 623		-
Trade payables	7 893 521	(2 698 943)	5 194 578	3	
Accumulated depreciation -Infrastructure assets	749 919 163	378 657	750 297 820		-
Accumulated depreciation -Investment property	53 571 494	(193 067)	53 378 427	6	

1. This project was completed on 31/03/2016 but was not transferred from the Work in progress register to Infrastructure assets as at 30/06/2016.

2. The access road was therefore incorrectly accounted for as WIP (at R3,436,487.77) at 30/06/2016 and was also not depreciated..

3.Further expenditure of R1,057,143.77 relating to this project was incurred during the 2016/17 financial year and R430,790.99 was still owing as at 30/06/2017.

4. This project was completed on 23/06/2016 and was correctly transferred from WIP to Infrastructure at R3,388 664
5.No deprecation was calculated for this road for 2015/16 financial year. Amount outstanding to the contractors and professional fees was not raised and capitalised..

6.Accounting for depreciation which was overstated in 2015/2016 by R193,066.94.l