



**a world class African city**

**CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

Draft - 2013-08-28

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

Mpho Franklin "Parks" Tau (Chairperson)  
(1 JUNE 2011 - 30 JUNE 2016)

Councillors

(1 JUNE 2011 - 30 JUNE 2016)  
Constance Bapela (Speaker of Council)  
Geoff Makhubu (Finance)  
Ruby Mathang (Economic Development)  
Rosslyn Greeff (Development Planning and Urban Management)  
Rehana Moosajee (Transportation) (1 JUNE 2011 - 28 FEBRUARY 2013)  
Christine Walters (Transportation) (1 MARCH - 30 JUNE 2016)  
Matshidiso Mfikoe (Environment and Infrastructure Services)  
Nonceba Molwele (Health and Human Development)  
Mally Mokoena (Corporate and Shared Services)  
Sello Lemao (Public Safety)  
Chris Vondo (Community Development)  
Daniel Bovu (Housing)  
Prema Naidoo (Chief Whip)  
Elginah Ndhlovhu (Chief of Staff) (1 JUNE 2011 - 31 DECEMBER 2012)  
Anton Selepe (1 JANUARY - 30 JUNE 2016)

Draft - 2013

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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### GRADING OF LOCAL AUTHORITY

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

### CITY MANAGER

Trevor Fowler

### ACTING CHIEF FINANCIAL OFFICER

Gerald Dumas

### REGISTERED OFFICE

Metropolitan Centre  
158 Loveday Street  
Braamfontein  
Johannesburg  
2001

Telephone:

+27 (0)11 407 - 6111

Facsimile:

+27 (0)11 339 - 5704

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### BANKERS

ABSA Bank Limited (Till March 2013)

Standard Bank (Since April 2013)

### AUDITORS

The Office of the Auditor-General : Gauteng  
Registered Auditors

61 Central Street

Houghton

2198

PO Box 91081

Auckland Park

2006

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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

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# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### Abbreviations

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## **Municipal Manager's approval of the Annual Financial Statements**

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I am responsible for the preparation of the Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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.

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**Municipal Manager**

Draft - 2013.08.28

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand thousand	Note(s)	2013	2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	3	118,532	103,012
Loans to Municipal Entities	4	906,089	805,774
Other financial assets	5	38,851	263,170
Finance lease receivables	6	34,485	26,589
Trade and other receivables	7	1,843,311	1,004,878
Receivables from non-exchange transactions	8	-	46,580
VAT receivable	9	143,845	104,381
Consumer debtors	10	879,853	728,384
Cash and cash equivalents	11	5,193,519	2,042,517
		<b>9,158,485</b>	<b>5,125,285</b>
<b>Non-Current Assets</b>			
Investment property	12	1,283,757	1,265,421
Property, plant and equipment	13	25,649,053	25,046,015
Intangible assets	14	220,635	430,680
Heritage assets	15	517,480	547,663
Investments in Municipal Entities	16	152,113	152,113
Loans to Municipal Entities	4	5,256,977	5,436,953
Other financial assets	5	2,847,897	2,938,938
Finance lease receivables	6	113,686	97,173
Consumer debtors	10	36,483	45,391
		<b>36,078,081</b>	<b>35,960,347</b>
<b>Total Assets</b>		<b>45,236,566</b>	<b>41,085,632</b>

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand thousand	Note(s)	2013	2012
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans and borrowings	18	624,610	1,522,804
Finance lease obligation	19	36,138	38,845
Trade and other payables	20	8,291,619	5,731,868
Obligations arising from conditional grants and receipts	21	1,431,279	802,480
Provisions	22	-	15,219
		<b>10,383,646</b>	<b>8,111,216</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	18	11,381,291	11,259,017
Finance lease obligation	19	330,864	359,462
Retirement benefit obligation	23	1,863,909	1,808,066
Provisions	22	78,953	78,953
Deferred income	24	51,804	54,444
Interest rate swap liability	25	67,020	109,237
Consumer deposits	26	71,849	15,688
		<b>13,845,690</b>	<b>13,684,867</b>
<b>Total Liabilities</b>		<b>24,229,336</b>	<b>21,796,083</b>
<b>Net Assets</b>		<b>21,007,230</b>	<b>19,289,549</b>
<b>NET ASSETS</b>			
Reserves			
Cashflow hedge reserve		(54,928)	(94,065)
Accumulated surplus		21,062,158	19,383,614
<b>Total Net Assets</b>		<b>21,007,230</b>	<b>19,289,549</b>



# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Detailed Income statement

Figures in Rand thousand	Note(s)	2013	2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Income from agency services		199,813	194,642
Interest received		1,066,699	1,147,739
Licences and permits		958	803
Other revenue	32	764,393	1,052,704
Rental of facilities and equipment		84,985	73,107
Reversal of impairment	31	-	4,961
Service charges	29	1,038,010	924,156
<b>Total revenue from exchange transactions</b>		<b>3,154,858</b>	<b>3,398,112</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	28	6,029,036	5,422,356
<b>Transfer revenue</b>			
Fines		320,336	435,336
Government grants	30	6,669,312	7,395,769
Public contributions, donated and contributed property, plant and equipment		2,842	148,404
<b>Total revenue from non-exchange transactions</b>		<b>13,021,526</b>	<b>13,401,865</b>
<b>Total revenue</b>		<b>16,176,384</b>	<b>16,799,977</b>
<b>Expenditure</b>			
Employee related costs	33	(4,271,830)	(4,116,777)
Remuneration of councillors	34	(110,411)	(98,291)
Depreciation and amortisation	35	(1,385,348)	(1,281,459)
Impairment losses	36	(51,500)	(248,410)
Finance costs		(1,478,880)	(1,657,659)
Allowance for impairment of current receivables	37	(795,280)	(447,300)
Repairs and maintenance		(138,565)	(106,260)
Contracted services	38	(1,171,445)	(1,226,868)
Grants and subsidies paid	39	(2,776,211)	(2,618,744)
General Expenses	40	(2,548,372)	(2,166,649)
<b>Total expenditure</b>		<b>(14,727,842)</b>	<b>(13,968,417)</b>
<b>Operating surplus</b>		<b>1,448,542</b>	<b>2,831,560</b>
(Loss) gain on disposal of assets		38,870	60,598
Fair value adjustments		162,699	4,903
		<b>201,569</b>	<b>65,501</b>
<b>Surplus for the year</b>		<b>1,650,111</b>	<b>2,897,061</b>

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1. Statement of compliance

#### Basis of Preparation and Presentation

The Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to make judgements, 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. These estimates and underlying assumptions are reviewed on an ongoing basis.

Significant judgements include:

##### **Financial instruments at amortised cost**

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

##### **Allowance for slow moving, damaged and obsolete stock**

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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

##### **Impairment testing**

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for cash-generating units and individual assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

##### **Provisions**

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.1 Transfer of functions between entities under common control (continued)

Provisions are raised and management determines an estimate based on the information available.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

#### 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 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 high-quality corporate 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.

### 1.2 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.

#### Cost model

##### Initial Recognition

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.

#### Subsequent Measurement.

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 using the straight-line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - Buildings	30 years

Land is not depreciated.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.2 Investment property (continued)

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 surplus 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 surplus or deficit when the compensation becomes receivable.

### 1.3 Property, plant and equipment

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

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

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

#### Cost Model.

#### Initial Measurement.

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.

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

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values as follows:

Item	Average useful life
• Buildings	30 years
Plant and equipment	10 - 15 years
Furniture and fittings	7 - 10 years
Motor vehicles	5 years
Office equipment	3 - 7 years
Computer equipment	3 years

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.3 Property, plant and equipment (continued)

Infrastructure	
• Pedestrian Malls	30 years
• Roads and Paving	30 years
• Sewerage Infrastructure	100 years
Community	
• Recreational Facilities	20 - 30 years
• Security	5 years
Other	
• Dogs and horses	5 - 7 years
Bins and containers	5 years
	10 years
Specialised vehicles	
Library books	10 years
Emergency equipment	5 - 15 years

### 1.4 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations..

A heritage asset shall be recognised as an asset if, and only if:

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

#### Cost Model..

#### Initial Measurement.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost..

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.P.

#### Subsequent Measurement.

Heritage assets are carried at cost less accumulated impairment losses.

Heritage assets are not depreciated.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

#### Transitional provision

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.4 Heritage assets (continued)

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 30/06/2015.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets are acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires in terms of Directive 2, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with.

### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Cost Model.

#### Initial Recognition.

Intangible assets are initially recognised at cost.

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

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

#### Subsequent Recognition.

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

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

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

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.5 Heritage assets (continued)

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

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

Item	Useful life
Computer software	2 - 8 years

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

### 1.6 Investments in Municipal Entities

Investments in Municipal Entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.7 Financial instruments

Non-derivative financial assets.

The municipality initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

The municipality classifies its non-derivative financial assets into the following categories:

- Amortised cost; and
- Cost.

Financial assets at amortised Cost

Non-derivative financial assets are initially measured at fair value plus any directly attributable transactional costs. Subsequent to initial measurement, these assets are measured at amortised cost using the effective interest rate method, less any impairment losses

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the municipality, economic conditions that correlate with defaults or the disappearance of an active market for a security.

## Notes to the Controlling Entity

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### 1.7 Financial instruments (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or financial asset at amortised costs. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

#### Non-derivative financial liabilities

The municipality initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Derivative financial instruments, including hedge accounting

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported surplus or deficit.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect surplus or deficit, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in surplus or deficit.

#### Other than designated through profit and loss

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in surplus or deficit.

### 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.



# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.8 Leases (continued)

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

#### Finance leases - lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### 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.

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

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

#### Operating leases - lessor

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

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

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

#### 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.

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

### 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 net realisable value 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.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.9 Inventories (continued)

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

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

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

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

### 1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.11 Impairment of non-cash-generating assets

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

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

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

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

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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

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

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

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

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

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

Useful life is either:

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

### 1.12 Employee benefits

#### Short-term employee benefits

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

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

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

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

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

#### Bonus pensionable service and medical boarding's.

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 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 shall 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.

Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

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.

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition, contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but are separately disclosed in note 42.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.13 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Revenue from exchange transactions

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

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.

#### Measurement

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

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.

#### 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

## Notes to the Controlling Entity

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### 1.14 Revenue from exchange transactions (continued)

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

#### **Interest, royalties and dividends**

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

### 1.15 Revenue from non-exchange transactions

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

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

#### **Fines**

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: Aarto traffic fines and criminal procedure act fines.

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.15 Revenue from non-exchange transactions (continued)

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

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

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

### 1.16 Investment income

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

### 1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation of borrowing costs are suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other 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 restated 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

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.19 Unauthorised expenditure (continued)

- 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 when 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

The Municipality recognises irregular expenditure as defined in section 1 of the MFMA when:-

- expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of this MFMA, and which has not been condoned by National Treasury;
- expenditure incurred by the municipality is in contravention of, or is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or.
- expenditure incurred by a municipality is in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";:

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

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

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

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

### 1.22 Offsetting

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



# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Controlling Entity

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### 1.23 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

### 1.24 Conditional grants and receipts

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

### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C, D1 and D2, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.26 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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2010 to 31/03/2011.

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

The 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.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand

2013

2012

### 2. STATEMENT AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	No effective date determined yet
GRAP 20 - Related Parties	No effective date determined yet
GRAP 25 - Employee benefits	01 July 2013
GRAP 105 - Transfer of functions between entities under common control	No effective date determined yet
GRAP 106 - Transfer of functions between entities not under common control	No effective date determined yet
GRAP 107 - Mergers	No effective date determined yet

All standards and interpretations will be adopted at their effective date (except those Standards and Interpretations that are not applicable to the City of Johannesburg).

The impact of the application of the above standards and interpretations have not been fully assessed for the following financial year.

### 3. INVENTORIES

Consumable stores		59,144	43,763
Housing stock		59,388	59,249
		<b>118,532</b>	<b>103,012</b>
Cost of inventories expense	Note 40	14,256	14,273

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand

2013

2012

### 4. LOANS TO MUNICIPAL ENTITIES

#### Shareholder loans

City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% The unsecured loan bears interest at a nominal annual rate of 17.5% (2012 : 17.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2011. The quarterly repayments commenced in 2009.	581,814	581,814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% The unsecured loan bears interest at a nominal annual rate of 14.5% (2012 : 14.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2012. The quarterly repayments commenced in 2009.	42,979	42,979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% The unsecured loan bears interest at a nominal annual rate of 15% (2012 : 15%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2018. The quarterly repayments commenced in 2009.	303,242	363,894
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% The unsecured loan bears interest at a nominal annual rate of 14.5% (2012 : 14.5%) compounded monthly and are repayable in equal quarterly installments over a period of 10 years, maturing on 30 June 2018. The quarterly repayments commenced in 2009.	21,708	26,051
	<b>949,743</b>	<b>1,014,738</b>

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>		
<b>Conduit and additional loans</b>		
City of Johannesburg Property Company (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2011	-	401
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.2% to 12.21% Maturity = 30 June 2014 to 30 June 2022	2,432,285	2,449,771
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% to 10.9% Maturity = 30 June 2014 to 30 June 2018	62,379	78,864
Johannesburg Water (Pty) Ltd Terms and conditions: Rate range = 9.31% to 10.9% Maturity = 30 June 2014 to 30 June 2022	2,542,724	2,520,037
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9% to 12.21% Maturity = 30 June 2014 to 30 June 2023	153,914	131,516
The Johannesburg Fresh Produce Market (Pty) Ltd Terms and conditions: Rate range = 9% to 10.9% Maturity = 30 June 2014 to 30 June 2022	175,935	178,916
	<u>5,367,237</u>	<u>5,359,505</u>
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	(153,914)	(131,516)
	<u><b>5,213,323</b></u>	<u><b>5,227,989</b></u>
 Impairment of loan to Pikitup Johannesburg (Pty) Ltd		
The creation of provision for impaired of receivables has been included in operating expenses in the statement of financial performance. Pikitup's loan has been further impaired due to the fact that Pikitup has just been servicing the interest and has not repaid any capital in the past 12 months.		
Non-current assets	5,256,977	5,436,953
Current assets	906,089	805,774
	<u><b>6,163,066</b></u>	<u><b>6,242,727</b></u>
 <b>Reconciliation of provision for impairment of loans to municipal entities</b>		
Opening balance	359,150	241,947
Additional impairment	29,102	122,165
Reversal	-	(4,962)
	<u><b>388,252</b></u>	<u><b>359,150</b></u>

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance. Pikitup only pays interest and does not pay capital.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>5. OTHER FINANCIAL ASSETS</b>		
<b>At fair value</b>		
Other financial asset	2,591,470	2,531,850
<b>At amortised cost</b>		
Other financial asset	195,738	575,280
Housing Selling scheme loans	2,089	2,089
Other loans and receivables	99,540	94,978
	297,367	672,347
Loans and receivables - Impairments	(2,089)	(2,089)
	<b>295,278</b>	<b>670,258</b>
<b>Total other financial assets</b>	<b>2,886,748</b>	<b>3,202,108</b>
<b>Non-current assets</b>		
At fair value	2,591,470	2,531,850
At amortised cost	256,427	407,088
	<b>2,847,897</b>	<b>2,938,938</b>
<b>Current assets</b>		
At amortised cost	38,851	263,170
<b>Financial instruments at fair value through profit or loss</b>		
	<b>2013 Fair Value</b>	<b>2013 Market Values</b>
ABSA Sinking Fund 20 Maturity - 05.06.2023 Rating - (AAA) Pledged as collateral for CJMM Bond redemptions	2,591,470	-
	<b>2012 Fair Value</b>	<b>2012 Market Values</b>
ABSA Sinking Fund 20 Maturity - 05.06.2023 Rating - (AAA) Pledged as collateral for CJMM Bond redemptions	2,527,718	2,527,718

The fair values of the financial assets were determined as follows and is only done at year end:

- The fair values of listed or quoted investments are based on the quoted Fair price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

Investments are ring-fenced for the repayment of non-current liabilities

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

There were no gains or losses realised on the disposal of financial assets held at amortised cost in 2012 and 2013.

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### Financial instruments at amortised cost

	2013 Amortised Cost	2013 Market Values
SCMB Long-term Investment Maturity - 31.08.2013 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	29,390	-
Investment: RMB - E Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	75,314	-
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	79,279	-
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	11,755	-
	<b>195,738</b>	-

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# City of Johannesburg Metropolitan Municipality

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<b>Financial instruments at amortised cost (continued)</b>		
	<b>2012 Amortised Cost</b>	<b>2012 Market Values</b>
ABSA Investment Maturity - 20.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	145,421	149,882
SCMB Long-term Investment Maturity - 31.08.2013 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	25,977	29,826
Investment: RMB - E Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	63,947	92,852
Investment: RMB - E Maturity - 31.12.2012 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	254,741	296,186
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	67,312	97,737
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	17,909	34,140
	<b>575,307</b>	<b>700,623</b>

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# City of Johannesburg Metropolitan Municipality

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### 6. FINANCE LEASE RECEIVABLES

#### Gross investment in the lease due

- within one year	47,533	37,772
- in second to fifth year inclusive	89,452	84,364
- later than five years	48,758	31,173

185,743 153,309

(37,572) (29,547)

less: Unearned finance revenue

**148,171 123,762**

Non-current assets

113,686 97,173

Current assets

34,485 26,589

**148,171 123,762**

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 36,648 mil (2012: R 26,411 mil).

COJ has entered into a Financial lease on 1 March 2012 with the MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%



# City of Johannesburg Metropolitan Municipality

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### 7. TRADE AND OTHER RECEIVABLES

#### Loans and receivables

Accrued VAT	163,161	126,351
Housing debtors	18,905	1,894
Insurance debtor	49,611	45,186
Kelvin power	62,136	62,136
Operating lease receivables	14,229	7,547
Related party debtors	1,122,031	407,793
Sundry debtors	401,587	331,669
	<u>1,831,660</u>	<u>982,576</u>

#### Other receivables

Fruitless and wasteful expenditure to be investigated	43	3,939	5,769
Prepayments		7,712	16,533
		<u>11,651</u>	<u>22,302</u>

#### Total trade and other receivables

**1,843,311**      **1,004,878**

### 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Government grants and subsidies	-	46,580
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### 9. VAT RECEIVABLE

VAT	143,845	104,381
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# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### 10. CONSUMER DEBTORS

#### Gross balances

Rates	5,329,814	4,590,925
Refuse	614,466	492,105
Housing rental	341,676	298,101
	<b>6,285,956</b>	<b>5,381,131</b>

#### Less: Allowance for impairment

Rates	(4,514,481)	(3,943,341)
Refuse	(529,012)	(379,621)
Housing rental	(326,127)	(284,394)
	<b>(5,369,620)</b>	<b>(4,607,356)</b>

#### Net balance

Rates	815,333	647,584
Refuse	85,454	112,484
Housing rental	15,549	13,707
	<b>916,336</b>	<b>773,775</b>

Current Assets

879,853

728,384

Non-Current Assets

36,483

45,391

**916,336**

**773,775**

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### 10. CONSUMER DEBTORS (continued)

#### Rates

Current (0 - 30 days)	846,759	911,264
31 - 60 days	216,834	253,924
61 - 90 days	196,224	153,860
91 - 120 days	181,092	171,472
121 - 365 days	883,128	710,480
> 365 days	3,005,777	2,389,925
	<b>5,329,814</b>	<b>4,590,925</b>

#### Refuse

Current (0 - 30 days)	50,933	59,149
31 - 60 days	34,194	35,128
61 - 90 days	26,761	25,677
91 - 120 days	31,344	30,712
121 - 365 days	141,942	131,654
> 365 days	329,292	209,785
	<b>614,466</b>	<b>492,105</b>

#### Housing rental

Current (0 - 30 days)	4,121	3,696
31 - 60 days	4,281	3,412
61 - 90 days	3,944	3,329
91 - 120 days	3,897	3,289
121 - 365 days	17,692	25,714
> 365 days	307,741	258,661
	<b>341,676</b>	<b>298,101</b>

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# City of Johannesburg Metropolitan Municipality

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<b>10. CONSUMER DEBTORS (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 - 30 days)	633,609	500,558
31 - 60 days	168,361	245,601
61 - 90 days	137,496	156,433
91 - 120 days	143,019	171,184
121 - 365 days	725,632	535,787
> 365 days	2,600,483	1,928,127
	<u>4,408,600</u>	<u>3,537,690</u>
Less: Allowance for impairment	(3,763,332)	(3,048,712)
	<b>645,268</b>	<b>488,978</b>
<b>Consumers - Past due and impaired</b>		
Current (0 - 30 days)	150,996	272,081
31 - 60 days	151,758	150,365
61 - 90 days	123,962	97,327
91 - 120 days	128,929	106,014
121 - 365 days	662,059	533,865
> 365 days	2,545,628	1,889,060
	<u>3,763,332</u>	<u>3,048,712</u>
<b>Consumers - Past due and not impaired</b>		
Current (0 - 30 days)	482,613	228,477
31 - 60 days	16,603	95,236
61 - 90 days	13,535	59,106
91 - 120 days	14,090	65,171
121 - 365 days	63,573	1,922
> 365 days	54,854	39,066
	<u>645,268</u>	<u>488,978</u>

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# City of Johannesburg Metropolitan Municipality

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### 10. CONSUMER DEBTORS (continued)

#### Industrial/ commercial

Current (0 - 30 days)	266,834	495,872
31 - 60 days	35,115	43,877
61 - 90 days	52,853	23,043
91 - 120 days	25,954	30,359
121 - 365 days	213,209	99,886
> 365 days	1,191,803	1,061,776
	1,785,768	1,754,813
Less: Allowance for impairment	(1,527,925)	(1,479,603)
	<b>257,843</b>	<b>275,210</b>

#### Industrial/ commercial - Past due and impaired

Current (0 - 30 days)	69,377	298,103
31 - 60 days	31,252	26,378
61 - 90 days	47,039	13,853
91 - 120 days	23,099	18,250
121 - 365 days	189,191	61,243
> 365 days	1,167,967	1,061,776
	<b>1,527,925</b>	<b>1,479,603</b>

#### Industrial/ commercial - Past due and not impaired

Current (0 - 30 days)	197,457	197,769
31 - 60 days	3,863	17,499
61 - 90 days	5,814	9,190
91 - 120 days	2,855	12,108
121 - 365 days	24,018	38,644
> 365 days	23,836	-
	<b>257,843</b>	<b>275,210</b>

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# City of Johannesburg Metropolitan Municipality

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### 10. CONSUMER DEBTORS (continued)

#### National and provincial government

Current (0 - 30 days)	(4,117)	4,196
31 - 60 days	3,853	2,985
61 - 90 days	4,426	3,389
91 - 120 days	2,255	3,931
121 - 365 days	13,565	9,834
> 365 days	71,606	64,293
	91,588	88,628
Less: Allowance for impairment	(78,363)	(79,041)
	<b>13,225</b>	<b>9,587</b>

#### National and provincial government - Past due and impaired

Current (0 - 30 days)	(1,070)	2,522
31 - 60 days	1,503	1,795
61 - 90 days	1,725	2,038
91 - 120 days	879	2,363
121 - 365 days	5,152	6,029
> 365 days	70,174	64,294
	<b>78,363</b>	<b>79,041</b>

#### National and provincial government - Past due and not impaired

Current (0 - 30 days)	(3,047)	1,673
31 - 60 days	2,350	1,191
61 - 90 days	2,700	1,352
91 - 120 days	1,376	1,568
121 - 365 days	8,413	3,803
> 365 days	1,433	-
	<b>13,225</b>	<b>9,587</b>

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# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2013	2012
<b>10. CONSUMER DEBTORS (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	896,326	1,000,626
31 - 60 days	207,329	292,463
61 - 90 days	194,775	182,865
91 - 120 days	171,228	205,474
121 - 365 days	952,406	645,507
> 365 days	3,863,892	3,054,196
	6,285,956	5,381,131
Less: Allowance for impairment	(5,369,620)	(4,607,356)
	<b>916,336</b>	<b>773,775</b>
<b>Less: Provision for debt impairment</b>		
Current (0 - 30 days)	219,303	572,706
31 - 60 days	184,513	178,538
61 - 90 days	172,726	113,218
91 - 120 days	152,907	126,627
121 - 365 days	856,402	601,137
> 365 days	3,783,769	3,015,130
	<b>5,369,620</b>	<b>4,607,356</b>
<b>Total debtor past due but not impaired</b>		
Current (0 - 30 days)	677,023	427,919
31 - 60 days	22,816	113,926
61 - 90 days	22,049	69,648
91 - 120 days	18,321	78,847
121 - 365 days	96,004	44,369
> 365 days	80,123	39,066
	<b>916,336</b>	<b>773,775</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(4,607,356)	(4,229,402)
Contributions to allowance	(762,264)	(377,954)
<b>Balance at the end of the year</b>	<b>(5,369,620)</b>	<b>(4,607,356)</b>

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	5,122	106
Bank balances	1,143,210	576,295
Call investment deposits	4,045,187	1,466,116
	<b>5,193,519</b>	<b>2,042,517</b>

#### Call investment deposits

Call Deposits STD Bank Rating - (F1+)	1,273	1,217
Fixed Deposits STD Bank Rating - (F1+)	348,000	-
Fixed Deposits ABSA Rating - (F1+)	103,129	850
Call Deposits ABSA Rating - (F1+)	1,088	163,447
Call Deposits RMB Rating - (F1+)	1,000	1,205
Fixed Deposits RMB Rating - (F1+)	382,200	-
Call Deposits INVESTEC Rating - (F1)	31,428	68,642
Fixed Deposits INVESTEC Rating - (F1)	957,300	208,100
Call Deposits NEDCOR Rating - (F1+)	442,690	33,364
Fixed Deposits NEDCOR Rating - (F1+)	510,000	-
Call Deposits CITY BANK Rating - (F1)	253,906	5,679
Fixed Deposits CITY BANK Rating - (F1+)	90,000	330,000
Call Deposits DEUTSCHE BANK Rating - (F1+)	1,500	1,144
Fixed Deposits DEUTSCHE BANK Rating - (F1+)	340,000	320,000
Call Deposits TCTA Rating - (None)	40,000	11,047
Call Deposits LANDBANK Rating - (F1+)	1,050	31,187
Stanlib Call Investment Rating - (F1+)	540,623	290,234
	<b>4,045,187</b>	<b>1,466,116</b>

All fixed deposits mature during July and August 2013.

#### Cash and cash equivalents that have been ring-fenced for following future expenditure

Underwriting of COID reserve	72,000	66,000
Capital replacement reserve	98,002	11,142
	<b>170,002</b>	<b>77,142</b>



# City of Johannesburg Metropolitan Municipality

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### 12. INVESTMENT PROPERTY

	2013			2012		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,338,853	(55,096)	1,283,757	1,308,292	(42,871)	1,265,421

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Investment property	1,265,421	234	(256)	30,583	(12,225)	1,283,757

#### Reconciliation of investment property - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Investment property	1,259,307	26,235	(8,226)	-	(11,895)	1,265,421

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

#### Details of valuation

# City of Johannesburg Metropolitan Municipality

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### 13. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,186,217	-	7,186,217	7,116,497	-	7,116,497
Buildings	10,445,634	(2,214,951)	8,230,683	9,805,183	(1,904,721)	7,900,462
Plant and equipment	235,703	(139,569)	96,134	201,396	(112,576)	88,820
Furniture and fittings	390,582	(268,837)	121,745	404,925	(250,855)	154,070
Motor vehicles	99,848	(4,955)	94,893	4,303	(4,068)	235
Office equipment	629,102	(495,743)	133,359	613,277	(456,332)	156,945
Infrastructure	8,832,277	(2,115,966)	6,716,311	8,197,614	(2,120,045)	6,077,569
Community	843,748	(343,831)	499,917	734,084	(297,251)	436,833
Other	717	(533)	184	731	(469)	262
Bins and containers	10,332	(5,489)	4,843	9,838	(4,630)	5,208
Work in progress	2,264,123	-	2,264,123	2,644,659	-	2,644,659
Specialised vehicles	350,801	(116,515)	234,286	752,078	(367,203)	384,875
Library books	621,019	(567,915)	53,104	620,729	(554,365)	66,364
Emergency equipment	26,015	(12,761)	13,254	26,461	(13,245)	13,216
<b>Total</b>	<b>31,936,118</b>	<b>(6,287,065)</b>	<b>25,649,053</b>	<b>31,131,775</b>	<b>(6,085,760)</b>	<b>25,046,015</b>

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### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Total
Land	7,116,497	37,776	-	(42,067)	74,011	-	7,186,217
Buildings	7,900,462	18,346	-	(3,224)	626,481	(311,382)	8,230,683
Plant and equipment	88,820	33,485	-	(346)	4,148	(29,973)	96,134
Furniture and fittings	154,070	11,346	-	(7,605)	5,470	(41,536)	121,745
Motor vehicles	235	96,354	-	(19)	6	(1,683)	94,893
Office equipment	156,945	61,118	-	(2,486)	(363)	(81,855)	133,359
Infrastructure	6,077,569	269,186	-	(50)	935,875	(566,269)	6,716,311
Community	436,833	33,300	-	(316)	77,077	(46,977)	499,917
Other	262	4	-	(1)	-	(81)	184
Bins and containers	5,208	155	-	(10)	370	(880)	4,843
Work in progress	2,644,659	1,353,660	-	-	(1,734,196)	-	2,264,123
Specialised vehicles	384,875	-	-	(98,241)	-	(52,348)	234,286
Library books	66,364	290	-	-	-	(13,550)	53,104
Emergency equipment	13,216	3,953	-	(1,124)	-	(2,791)	13,254
	<b>25,046,015</b>	<b>1,918,973</b>	<b>-</b>	<b>(155,489)</b>	<b>(11,121)</b>	<b>(1,149,325)</b>	<b>25,649,053</b>

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Total
Land	6,880,477	171,527	82,293	(56,102)	38,302	-	7,116,497
Buildings	7,876,271	39,039	-	(1,262)	273,050	(286,636)	7,900,462
Plant and equipment	106,434	1,522	-	(25)	8,211	(27,322)	88,820
Furniture and fittings	184,270	10,271	-	(1,898)	12	(38,585)	154,070
Motor vehicles	379	-	-	-	-	(144)	235
Office equipment	169,273	69,735	-	(1,659)	3,418	(83,822)	156,945
Infrastructure	5,684,583	45,295	-	-	851,372	(503,681)	6,077,569
Community	434,563	6,731	-	(87)	42,996	(47,370)	436,833
Other	156	204	-	(9)	-	(89)	262
Bins and containers	6,086	-	-	21	-	(899)	5,208
Work in progress	2,472,619	1,390,646	-	-	(1,218,606)	-	2,644,659
Specialised vehicles	599,894	31,210	-	(130,664)	-	(115,565)	384,875
Library books	77,339	3,591	-	-	-	(14,566)	66,364
Emergency equipment	14,683	470	-	(50)	-	(1,887)	13,216
	<b>24,507,027</b>	<b>1,770,241</b>	<b>82,293</b>	<b>(191,735)</b>	<b>(1,245)</b>	<b>(1,120,566)</b>	<b>25,046,015</b>

# City of Johannesburg Metropolitan Municipality

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### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	166,597	(148,709)	17,888	156,371	(129,183)	27,188
Soccer city	3,138	-	3,138	3,138	-	3,138
<b>Total</b>	<b>216,099</b>	<b>(148,709)</b>	<b>67,390</b>	<b>205,873</b>	<b>(129,183)</b>	<b>76,690</b>

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.

# City of Johannesburg Metropolitan Municipality

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### 14. INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,131,941	(911,306)	220,635	1,096,569	(665,889)	430,680

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	430,680	1,914	11,839	(223,798)	220,635

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	574,543	5,135	-	(148,998)	430,680

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# City of Johannesburg Metropolitan Municipality

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### 15. HERITAGE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	483,398	-	483,398	483,612	-	483,612
Historical monuments	14,457	-	14,457	9,378	-	9,378
Historical buildings	19,625	-	19,625	54,673	-	54,673
<b>Total</b>	<b>517,480</b>	<b>-</b>	<b>517,480</b>	<b>547,663</b>	<b>-</b>	<b>547,663</b>

#### Reconciliation of heritage assets 2013

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	483,612	-	(61)	(153)	483,398
Historical monuments	9,378	1,179	-	3,900	14,457
Historical buildings	54,673	-	-	(35,048)	19,625
	<b>547,663</b>	<b>1,179</b>	<b>(61)</b>	<b>(31,301)</b>	<b>517,480</b>

#### Reconciliation of heritage assets 2012

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	483,493	-	-	119	483,612
Historical monuments	8,251	-	-	1,127	9,378
Historical buildings	54,705	-	(32)	-	54,673
	<b>546,449</b>	<b>-</b>	<b>(32)</b>	<b>1,246</b>	<b>547,663</b>

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### 16. INVESTMENTS IN MUNICIPAL ENTITIES

#### Gross investment

	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	5,142	5,142
City Power Johannesburg (Pty) Ltd	100 %	100 %	112,466	112,466
Johannesburg City Parks	100 %	100 %	28,098	28,098
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54,774	54,774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	89,311	60,209
Johannesburg Social Housing Company (Pty) Ltd	100 %	100 %	-	-
Johannesburg Tourism Company	100 %	100 %	20,478	20,478
Johannesburg Water (Pty) Ltd	100 %	100 %	1	1
Metropolitan Trading Company (Pty) Ltd	100 %	100 %	97,972	97,972
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	1	1
Roodepoort City Theatre	100 %	100 %	1,784	1,784
The Johannesburg Civic Theatre (Pty) Ltd	100 %	100 %	-	-
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20,000	20,000
The Johannesburg Zoo	100 %	100 %	1,860	1,860
			<b>438,510</b>	<b>409,408</b>

#### Impairments

	Carrying amount 2013	Carrying amount 2012
Johannesburg City Parks	(20,218)	(20,218)
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54,774)	(54,774)
Johannesburg Roads Agency (Pty) Ltd	(89,311)	(60,209)
Johannesburg Tourism Company	(20,478)	(20,478)
Metropolitan Trading Company (Pty) Ltd	(97,972)	(97,972)
Roodepoort City Theatre	(1,784)	(1,784)
The Johannesburg Zoo	(1,860)	(1,860)
	<b>(286,397)</b>	<b>(257,295)</b>

#### Net investment

	Carrying amount 2013	Carrying amount 2012
City of Johannesburg Property Company (Pty) Ltd	5,142	5,142
City Power Johannesburg (Pty) Ltd	112,466	112,466
Johannesburg City Parks	7,880	7,880
Johannesburg Development Agency (Pty) Ltd	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-
Johannesburg Roads Agency (Pty) Ltd	-	-
Johannesburg Tourism Company	-	-
Johannesburg Social Housing Company (Pty) Ltd	-	-
Johannesburg Water (Pty) Ltd	1	1
Metropolitan Trading Company (Pty) Ltd	-	-
Pikitup Johannesburg (Pty) Ltd	1	1
Roodepoort City Theatre	-	-
The Johannesburg Civic Theatre (Pty) Ltd	-	-
The Johannesburg Fresh Produce Market (Pty) Ltd	20,000	20,000
The Johannesburg Zoo	-	-
	<b>152,113</b>	<b>152,113</b>

CJMM has investments in the following Municipal Entities that are less than R1,000.

Johannesburg Social Housing Company (Pty) Ltd - R120.00

Johannesburg Civic Theatre (Pty) Ltd - R10.00

Investments in ME's includes shareholder loans with no fixed repayment terms and interest



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### 17. FINANCIAL ASSETS BY CATEGORY

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

#### 2013

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	906,089	-	-	906,089
Other financial assets	-	-	38,851	38,851
Trade and other receivables	1,831,660	-	-	1,831,660
Consumer debtors	879,853	-	-	879,853
Call investment deposits	4,045,187	-	-	4,045,187
Bank balances and cash	1,148,332	-	-	1,148,332
<b>Non-Current Assets</b>				
Loans to Municipal Entities	5,256,977	-	-	5,256,977
Other financial assets	99,540	2,591,470	156,887	2,847,897
Consumer debtors	36,483	-	-	36,483
	<b>14,204,121</b>	<b>2,591,470</b>	<b>195,738</b>	<b>16,991,329</b>

#### 2012

	Loans and receivables	At fair value	At amortised cost	Total
<b>Current Assets</b>				
Loans to Municipal Entities	805,774	-	-	805,774
Other financial assets	-	-	263,170	263,170
Trade and other receivables	982,576	-	-	982,576
Receivables from non-exchange	46,580	-	-	46,580
Consumer debtors	728,384	-	-	728,384
Call investment deposits	1,466,116	-	-	1,466,116
Bank balances and cash	576,401	-	-	576,401
<b>Non-Current Assets</b>				
Loans to Municipal Entities	5,436,953	-	-	5,436,953
Other financial assets	94,978	2,531,850	312,110	2,938,938
Consumer debtors	45,391	-	-	45,391
	<b>10,183,153</b>	<b>2,531,850</b>	<b>575,280</b>	<b>13,290,283</b>

# City of Johannesburg Metropolitan Municipality

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<b>18. LOANS AND BORROWINGS</b>		
<b>Non Current portion of loans and borrowings - At amortised cost</b>		
Structured loans *	273,683	294,263
Development Bank South Africa	1,326,446	1,414,453
Local registered stock loans	-	30,000
Listed bonds	6,584,334	6,751,000
Other financial liabilities	3,196,828	2,769,301
	<b>11,381,291</b>	<b>11,259,017</b>
<b>Current portion of loans and borrowings - At amortised cost</b>		
Structured loans *	13,333	444,939
Development Bank South Africa	130,526	137,894
Local registered stock loans	30,000	-
Listed bonds	166,666	700,000
Jozi bonds	-	10,034
Other financial liabilities	284,085	229,937
	<b>624,610</b>	<b>1,522,804</b>
* Structured loans are secured by an investment which will redeem the loan at maturity.		
<b>Non-current liabilities</b>		
At amortised cost	11,381,291	11,259,017
<b>Current liabilities</b>		
At amortised cost	624,610	1,522,804
	<b>12,005,901</b>	<b>12,781,821</b>
<b>Municipal Manager's estimate of fair value of the financial liabilities carried at amortised cost isv only done at year end. The values reflected are 2012 and 2013 values</b>		
Structured loans	206,830	802,240
Development Bank of Stock Loans	779,881	868,406
Local Registered Stock Loans	29,741	28,178
Listed bonds	4,351,544	4,887,174
Jozi Bonds	-	34,202
Other financial liabilities	2,439,091	2,128,663
	<b>7,807,087</b>	<b>8,748,863</b>

Municipal Manager's estimate of fair value of the financial liabilities was determined as follows:

Listed bonds fair values were calculated using the T+3 Mark to Market prices as quoted on the Bond Exchange South Africa (BESA). There after discount factors were applied to reflect T+0 values.

Structured loans, loans from the DBSA and local registered stock loans fair values were calculated using the discounted cash flows method based on the swap curve.

# City of Johannesburg Metropolitan Municipality

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<b>19. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	69,599	75,663
- in second to fifth year inclusive	233,359	238,280
- later than five years	650,429	706,949
	<u>953,387</u>	<u>1,020,892</u>
less: future finance charges	(586,385)	(622,585)
<b>Present value of minimum lease payments</b>	<b><u>367,002</u></b>	<b><u>398,307</u></b>
Non-current liabilities	330,864	359,462
Current liabilities	36,138	38,845
	<u>367,002</u>	<u>398,307</u>

A register containing the information is available for inspection at the registered office of the CJMM.

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

A lease agreement for Soccer City Stadium was signed on the 7 August 2009 between the Department of Public Works (Lessor) and City of Johannesburg Metropolitan Municipality (Lessee). The term of the lease is 99 years.

Interest on Finance Leases are calculated at variable rates of interest, ranging between 9% and 15% per annum and repayments on these Finance Leases range from monthly to quarterly.

The Finance Lease terms regarding Office Equipment range from three years to five years. There are no renewal or purchase options and no restrictions imposed by the lease agreements.

Finance Lease Liabilities relate to vehicles with a lease term of 4-6 (2011: 4-6) years. The effective interest rate on Finance Leases is 9.5% (2011: 9.5%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

The municipality's obligations under Fleet Finance Leases are secured by the lessors title to the leased assets.

The carrying values of the finance leased assets are included under other property, plant and equipment in the note to the financial statements.

Bus Operating Company

Finance Lease Liabilities relate to vehicles with a lease term of 12 (2012: 12) years. The effective interest rate on Finance Leases is 9.7% (2012: 9.7%). Capitalised Lease Liabilities are secured by the related finance lease assets. Refer to note 13.

# City of Johannesburg Metropolitan Municipality

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### 20. TRADE AND OTHER PAYABLES

#### Financial liabilities

Accrued interest	210,170	150,624
Credit balances in consumer debtors	1,560,365	1,123,708
Engineering fees	78,067	70,884
Operating lease payables	5,437	4,671
Other creditors	956,125	831,179
Related party creditor	4,084,224	2,566,528
Retentions	37,554	38,392
Trade payables	1,084,072	615,374
	<u>8,016,014</u>	<u>5,401,360</u>

#### Other liabilities

Accrued bonus	23,366	82,732
Accrued leave pay	233,722	227,414
Payments received in advanced	18,517	20,362
	<u>275,605</u>	<u>330,508</u>
	<u><b>8,291,619</b></u>	<u><b>5,731,868</b></u>

Draft - 2013.08.20

# City of Johannesburg Metropolitan Municipality

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### 21. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS

Obligations arising from conditional grants and receipts comprises of:

Unspent grant 1	-	840
Provincial grants : Capital projects	108,719	103,690
Urban settlements development grant	70,347	76,439
Provincial grants : Top Structure of houses	425,920	84,760
Provincial grants : Operating projects	22,508	19,773
2010 Public transport (SPTN)	736,859	492,387
Neighbourhood development partnership grant	14,769	8,866
Expanded Public Works Programme (EPWP)	32,789	65
Orange African cup of nations	4,737	-
Unspent public contributions and donations	14,631	15,660
	<b>1,431,279</b>	<b>802,480</b>

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

A liability is recognised for any unfulfilled conditions, criteria, obligations and other contingencies attaching to government grants or assistance.

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

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

# City of Johannesburg Metropolitan Municipality

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### 22. PROVISIONS

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Provision for liabilities	78,953	-	-	78,953
Pension fund provisions	15,219	-	(15,219)	-
	<b>94,172</b>	<b>-</b>	<b>(15,219)</b>	<b>78,953</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Settlement	Total
International Parking Management Onerous contract	355,054	-	(240,000)	(115,054)	-
Pension fund provisions	-	78,953	-	-	78,953
	14,545	846	(172)	-	15,219
	<b>369,599</b>	<b>79,799</b>	<b>(240,172)</b>	<b>(115,054)</b>	<b>94,172</b>

Non-current liabilities				78,953	78,953
Current liabilities				-	15,219
				<b>78,953</b>	<b>94,172</b>

#### Provision for liabilities

A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim is in excess of R10,000,000.00 plus interest of R68,000,000.00 and is not insured. SCA has ruled against the City on the matter of whether the construction amounted to a diversion. Court is to decide on Plaintiff quantum of damages suffered.

Management is unsure as to when the provision will be paid nor as to how much will be paid.

#### Pension fund provisions

The pension fund provision relates to the change from defined benefit plans to defined contribution plans of the pension funds. The provision is based on the actuarial valuations of the pension funds and agreement reached by management and the trustee's of the pension funds.

During the 2010 financial year the Auditor General performed an interest calculation that increased the balance of the pension fund. Subsequently there has been no claims against the fund and therefore management has taken the decision to write down the balance of the fund.

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### 23. RETIREMENT BENEFIT OBLIGATION

For all post retirement employee liabilities, an actuarial calculation is performed at the end of the financial year.

#### 23.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	(1,375,251)	(1,330,725)
Post-Retirement Housing Subsidy Plan	(459)	(2,892)
Retirement Gratuity Plan	(488,199)	(474,449)
	<b>(1,863,909)</b>	<b>(1,808,066)</b>

Draft - 2013.08.28

# City of Johannesburg Metropolitan Municipality

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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

#### 23.1.1 Post retirement medical aid plan

City of Johannesburg Metropolitan Municipality has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Post-retirement medical aid subsidies are provided to pensioners, in the service of the CJMM as at 1 January 2001, and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1,247,105	1,208,785
In respect of notional accounts for employees of ME's	128,146	121,940
	<b>1,375,251</b>	<b>1,330,725</b>

#### Movements for the year

Opening balance	1,208,785	1,185,546
Benefits paid	(97,272)	(95,010)
Net expense recognised in the statement of financial performance	135,592	118,249
	<b>1,247,105</b>	<b>1,208,785</b>

#### Net expense recognised in the statement of financial performance

Current service cost	478	864
Interest cost	103,355	101,838
Actuarial (gains) losses	31,759	15,547
	<b>135,592</b>	<b>118,249</b>

#### Notional loan account

Opening balance	121,940	115,743
Interest received	6,206	6,197
<b>Balance at end of year</b>	<b>128,146</b>	<b>121,940</b>

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	7.89 %	8.60 %
Expected rate of return on assets	7.89 %	8.60 %
Expected rate of return on reimbursement rights	6.70 %	7.70 %
Expected increase in salaries	5.67 %	6.70 %



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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

Other assumptions.

Age of spouse	-	Husbands five years older than wives.
Mortality of in-service members	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 years for females).
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables.

#### Sensitivity analysis

	Change in assumption		
	-1%	0%	1%
Liability	1,180,646	1,247,105	1,298,861
Percentage change	-5,33%	0%	4.15%
	-	-	-

#### Post-Retirement Mortality

	-20%	0%	20%
Liability	1,358,742	1,247,105	1,158,414
Percentage change	- 8,00%	0%	-6,00%

#### 23.1.2 Post retirement housing subsidy plan

The City of Johannesburg Metropolitan Municipality provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the City of Johannesburg Metropolitan Municipality was established. The amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	459	2,892
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The fair value of plan assets includes:

#### Movements for the year

Opening balance	2,892	3,245
Benefits paid	(76)	(699)
Net expense recognised in the statement of financial performance	(2,357)	346
	<b>459</b>	<b>2,892</b>

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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

#### Net expense recognised in the statement of financial performance

Interest cost	247	279
Actuarial (gains) losses	(2,604)	67
	<b>(2,357)</b>	<b>346</b>

#### Notional loan account

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

Discount rates used	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %

#### Sensitivity analysis

	Change in assumption		
	-1%	0%	1%
Liability	451	459	468
Percentage change	-1,74%	0%	1,96%

#### Post-Retirement Mortality

	-20%	0%	20%
	Liability	470	459
Percentage change	8,00%	0%	-6,00%

#### 23.1.3 Post retirement gratuity plan

City of Johannesburg Metropolitan Municipality provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with the City of Johannesburg Metropolitan Municipality when they were not members of one of the retirement funds and who meet certain service requirements in terms of City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	198,117	182,116
In respect of notional accounts for employees of ME's	290,082	292,333
	<b>488,199</b>	<b>474,449</b>

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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

#### Movements for the year

Opening balance	182,116	170,931
Benefits paid	(19,367)	(20,032)
Net expense recognised in the statement of financial performance	35,368	31,217
	<b>198,117</b>	<b>182,116</b>

#### Net expense recognised in the statement of financial performance

Interest cost	15,572	14,683
Actuarial (gains) losses	19,796	16,534
	<b>35,368</b>	<b>31,217</b>

#### Notional loan account

Opening balance	292,333	298,177
Interest received	14,926	15,538
Benefits payments	(17,177)	(21,382)
<b>Balance at end of year</b>	<b>290,082</b>	<b>292,333</b>

#### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

The principal actuarial assumptions used were as follows:

Discount rates used	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %
Expected increase in salaries	6.70 %	6.70 %

#### Sensitivity analysis

	Change in assumption		
	-1%	0%	1%
Liability	184,166	198,117	213,663
Percentage change	-7.60%	0%	7.85%

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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

CJMM and its ME's provide post-employment benefits to all their permanent employees through defined contribution funds. The following employee contributions have been made to the defined contribution plans.

City of Johannesburg Pension Fund	42,766	40,277
eJoburg Retirement Fund	130,465	119,366
Municipal Councillors pension Fund	9,765	8,770
National Fund for Municipal Workers	903	854
Soweto City Council Pension Fund	-	80
Municipal Employees Gratuity Fund	10,151	10,316
	<b>194,050</b>	<b>179,663</b>

The following employee contributions have been made to the multi-employer plans.

Joint Municipal Pension Fund	1,095	1,066
Municipal Employees Pension Fund	3,885	3,802
	<b>4,980</b>	<b>4,868</b>

# City of Johannesburg Metropolitan Municipality

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### 24. DEFERRED INCOME

#### Bond tap

Balance unspent at beginning of year	54,444	56,828
Conditions met - transferred to revenue	(2,640)	(2,384)
<b>Conditions still to be met - transferred to liabilities</b>	<b>51,804</b>	<b>54,444</b>

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The tap was issued on 09 December 2008, due to mature on 05 June 2023. The tap was issued at a premium of R58,038,692.00, at an interest rate of 12.21% per annum. The notional amount was R468,000,000.00 and the issue price was R526,038,692.00.

#### Total deferred income

51,804

54,444

# City of Johannesburg Metropolitan Municipality

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### 25. INTEREST RATE SWAP LIABILITY

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

#### Swap Details

Trade Date : 30 March 2011  
Settlement Date: 29 March 2018  
Nominal Amount: R 1,000 (million)  
Fixed Rate: 11.66%  
Payable: Semi- annual

<b>Opening balance</b>	109,237	41,976
Swap fair value changes	(42,217)	67,261
<b>Closing balance</b>	<b>67,020</b>	<b>109,237</b>

### 26. CONSUMER DEPOSITS

#### Non Current portion of Consumer deposits

Electricity and water deposits	45,447	-
Other deposits	26,402	15,688
	<b>71,849</b>	<b>15,688</b>

Consumer deposits relate largely to deposits held in the JPC Portfolio Account (R12,840,214.00). The balance relates to deposits held by Community Development and the Housing Department. All consumer deposits are non-current in nature.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Financial Statements

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### 27. FINANCIAL LIABILITIES BY CATEGORY

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

#### 2013

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	624,610	624,610
Finance lease obligations	36,138	36,138
Trade and other payables	8,016,014	8,016,014
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,381,291	11,381,291
Finance lease obligations	330,864	330,864
Consumer deposits	71,849	71,849
	<b>20,460,766</b>	<b>20,460,766</b>

#### 2012

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	1,522,804	1,522,804
Finance lease obligations	38,845	38,845
Trade and other payables	5,401,360	5,401,360
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,259,017	11,259,017
Finance lease obligations	359,462	359,462
Consumer deposits	15,688	15,688
	<b>18,597,176</b>	<b>18,597,176</b>

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# City of Johannesburg Metropolitan Municipality

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### 28. PROPERTY RATES

#### Rates received

Residential	2,250,581	1,841,756
Commercial	3,694,885	3,449,744
State	50,573	50,460
Municipal	32,997	80,396
	<b>6,029,036</b>	<b>5,422,356</b>

#### Valuations

Property rate valuation	785,395,601	699,772,776
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### 29. SERVICE CHARGES

Other service charges	82,106	63,519
Refuse removal	776,938	701,706
Surcharges : Electricity	139,980	125,281
Surcharges : Refuse	3,277	2,424
Surcharges : Water	35,709	31,226
	<b>1,038,010</b>	<b>924,156</b>

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<b>30. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Provincial grants : Capital projects	(29)	86,832
Urban settlements development grant	1,296,840	1,471,677
Financial management grant	1,250	1,250
Provincial grants : Top structure of houses	137,590	112,539
Provincial grants : Operating projects	21,420	11,998
Gautrain grant	-	349
2010 Public transport (SPTN)	805,528	1,067,528
Neighbourhood development partnership grant	42,097	104,032
World Anti-Doping Agency (WADA)	10,387	-
Expanded Public Works Programme (EPWP)	61,312	144,964
Orange African cup of nations	20,763	-
Ambulance subsidy	91,855	100,312
Equitable share and fuel levy	4,084,995	4,189,748
Provincial health subsidies	95,304	104,540
	<b>6,669,312</b>	<b>7,395,769</b>
<b>Provincial grants : Capital projects</b>		
Balance unspent at beginning of year	103,690	103,330
Current year receipts	5,000	-
Previous years AUC - Capitalised	-	86,832
Adjustments	-	360
Conditions met - transferred to revenue	29	(86,832)
<b>Conditions still to be met - transferred to liabilities</b>	<b>108,719</b>	<b>103,690</b>
Conditions still to be met - remain liabilities (see note 21)		
These grants are provided to finance Capital projects in respect of Social Services and Housing.		
<b>Urban settlements development grant</b>		
Balance unspent at beginning of year	76,439	19,614
Current year receipts	1,290,748	1,027,970
Adjustments	-	500,532
Conditions met - transferred to revenue	(1,296,840)	(1,471,677)
<b>Conditions still to be met - transferred to liabilities</b>	<b>70,347</b>	<b>76,439</b>
Conditions still to be met - remain liabilities (see note 21)		
This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households.		
<b>Financial management grant</b>		
Current year receipts	1,250	1,250
Conditions met - transferred to revenue	(1,250)	(1,250)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>Provincial grants : Top structure of houses</b>		
Balance unspent at beginning of year	84,760	11,984
Current year receipts	461,738	230,568
Transfers to debtors	-	(57,835)
Current year receivables	17,012	-

# City of Johannesburg Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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### 30. LEVIES (continued)

Adjustments

Conditions met - transferred to revenue

-	12,582
(137,590)	(112,539)

**Conditions still to be met - transferred to liabilities**

<b>425,920</b>	<b>84,760</b>
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Conditions still to be met - remain liabilities (see note 21)

### Provincial grants : Operating projects

Balance unspent at beginning of year

Current year receipts

Current year receivables

Conditions met - transferred to revenue

19,773	6,630
24,155	19,553
-	5,588
(21,420)	(11,998)

**Conditions still to be met - transferred to liabilities**

<b>22,508</b>	<b>19,773</b>
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Conditions still to be met - remain liabilities (see note 21)

These grants are provided to finance community projects.

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<b>30. LEVIES (continued)</b>		
<b>Gautrain grant</b>		
Balance unspent at beginning of year	-	349
Conditions met - transferred to revenue	-	(349)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
The purpose of this grant is to provide capacity support for the Gautrain Rapid Rail Link.		
<b>2010 Public transport (SPTN)</b>		
Balance unspent at beginning of year	492,387	449,898
Current year receipts	1,050,000	998,000
Previous years AUC - Capitalised	-	112,017
Conditions met - transferred to revenue	(805,528)	(1,067,528)
<b>Conditions still to be met - transferred to liabilities</b>	<b>736,859</b>	<b>492,387</b>
Conditions still to be met - remain liabilities (see note 21)		
This grant is provided to finance 2010 Public Transport System.		
<b>Neighbourhood development partnership grant</b>		
Balance unspent at beginning of year	8,866	3,136
Current year receipts	48,000	60,277
Deferred income	-	(4,613)
Previous years AUC - Capitalised	-	54,098
Conditions met - transferred to revenue	(42,097)	(104,032)
<b>Conditions still to be met - transferred to liabilities</b>	<b>14,769</b>	<b>8,866</b>
Conditions still to be met - remain liabilities (see note 21)		
The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighborhoods.		
<b>World Anti-Doping Agency (WADA)</b>		
Current year receipts	10,387	-
Conditions met - transferred to revenue	(10,387)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>Expanded Public Works Programme (EPWP)</b>		
Balance unspent at beginning of year	65	21,063
Current year receipts	140,615	69,498
Previous years AUC - Capitalised	-	7,887
Transferred to receivables	(46,579)	46,581
Conditions met - transferred to revenue	(61,312)	(144,964)
<b>Conditions still to be met - transferred to liabilities</b>	<b>32,789</b>	<b>65</b>
Conditions still to be met - remain liabilities (see note 21)		
<b>Orange African cup of nations</b>		
Current year receipts	25,500	-
Conditions met - transferred to revenue	(20,763)	-

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## Notes to the Financial Statements

Figures in Rand thousand	2013	2012
<b>30. LEVIES (continued)</b>		
<b>Conditions still to be met - transferred to liabilities</b>	<b>4,737</b>	-
Conditions still to be met - remain liabilities (see note 21)		
<b>Ambulance subsidy</b>		
Current year receipts	91,855	88,312
Current year receivables	-	12,000
Conditions met - transferred to revenue	(91,855)	(100,312)
<b>Conditions still to be met - transferred to liabilities</b>	-	-
Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.		
<b>Equitable share and fuel levy</b>		
Current year receipts	4,084,995	4,189,748
Conditions met - transferred to revenue	(4,084,995)	(4,189,748)
<b>Conditions still to be met - transferred to liabilities</b>	-	-
This grant is used to subsidise the provision of basic services to indigent community members.		
<b>Provincial health subsidies</b>		
Current year receipts	95,304	66,540
Current year receivables	-	38,000
Conditions met - transferred to revenue	(95,304)	(104,540)
<b>Conditions still to be met - transferred to liabilities</b>	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.		
<b>31. REVERSAL OF IMPAIRMENT</b>		
Other loans and borrowings	-	4,961
The reversal of impairment relates to repayments of loans impaired for PIKITUP. Refer to note 31 for detail on the loans.		
<b>32. OTHER REVENUE</b>		
BRT revenue	74,558	56,717
Brokerage revenue	10,672	14,480
Hiring of halls	6,375	5,956
IPM Settlement discount	-	115,054
Internal recoveries - ME's	465,144	581,534
Other revenue	194,556	264,754
Other subsidies	149	4,405
Recovery of insurance	1,326	2,950
Recovery of legal costs	1,223	1,341
Training revenue	10,390	5,513
	<b>764,393</b>	<b>1,052,704</b>

# City of Johannesburg Metropolitan Municipality

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### 33. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	3,042,964	2,853,170
Employee related costs : Pension contributions	366,889	348,122
Employee related costs : Gratuities	19,284	19,704
Employee related costs : Medical aid contributions	241,413	222,191
Employee related costs : Skills development levy	36,305	33,466
Actuarial (gains)/losses	-	32,148
Housing benefits and allowances	21,816	21,557
Overtime payments	43,714	73,484
Bonus	179,269	243,411
Travel, motor car, accommodation, subsistence and other allowances	246,872	245,865
Less: Employee costs included in other expenses	73,304	23,659
	<b>4,271,830</b>	<b>4,116,777</b>

#### Remuneration of the City Manager

Annual Remuneration	2,562	2,589
Car Allowance	128	137
Performance Bonuses	-	143
Contributions to UIF, Medical and Pension Funds	-	39
	<b>2,690</b>	<b>2,908</b>

#### Remuneration of the Executive Director : 2010

Annual Remuneration	-	391
Car Allowance	-	71
Performance Bonuses	-	213
Contributions to UIF, Medical and Pension Funds	-	7
	-	<b>682</b>

This office is closed due to the finalization of the project.

#### Remuneration of the Executive Director : Central Planning Unit

Annual Remuneration	-	625
Car Allowance	-	69
Performance Bonuses	-	124
Contributions to UIF, Medical and Pension Funds	-	60
Eminence	-	53
	-	<b>931</b>

#### Remuneration of the Chief Information Officer

Annual Remuneration	-	1,987
Car Allowance	-	202
Performance Bonuses	-	72
Contributions to UIF, Medical and Pension Funds	-	196
Eminence Allowance	-	104
Acting Allowance	-	27
	-	<b>2,588</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Financial Statements

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### 33. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Group Head : Strategy, Policy Coordination and Relations

Annual Remuneration	931	-
Car Allowance	108	-
Performance Bonuses	50	-
Contributions to UIF, Medical and Pension Funds	95	-
Eminence	(5)	-
	<b>1,179</b>	<b>-</b>

#### Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1,323	959
Car Allowance	128	116
Contributions to UIF, Medical and Pension Funds	64	26
Eminence	72	131
	<b>1,587</b>	<b>1,232</b>

#### Remuneration of the Executive Head : Group Internal Audit

Annual Remuneration	1,368	1,282
Car Allowance	288	288
Performance Bonuses	-	110
Contributions to UIF, Medical and Pension Funds	34	2
	<b>1,690</b>	<b>1,682</b>

#### Remuneration of the Group Head : Legal and Contracts

Annual Remuneration	871	835
Car Allowance	86	82
Performance Bonuses	-	165
Contributions to UIF, Medical and Pension Funds	121	84
Eminence Allowance	-	161
	<b>1,078</b>	<b>1,327</b>

#### Remuneration of the Executive Director : Finance

Annual Remuneration	-	353
Car Allowance	-	12
Performance Bonuses	-	78
Contributions to UIF, Medical and Pension Funds	-	1
	<b>-</b>	<b>444</b>

#### Remuneration of the Executive Director : Economic Development

Annual Remuneration	1,742	678
Car Allowance	-	27
Performance Bonuses	-	112
Contributions to UIF, Medical and Pension Funds	-	1
	<b>1,742</b>	<b>818</b>

# City of Johannesburg Metropolitan Municipality

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### 33. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Executive Director : Revenue and Customer Relations Management

Annual Remuneration	-	1,613
Car Allowance	-	101
Performance Bonuses	-	60
Contributions to UIF, Medical and Pension Funds	-	2
	-	<b>1,776</b>

#### Remuneration of the Executive Director : Community Development

Annual Remuneration	1,142	1,088
Car Allowance	86	57
Performance Bonuses	-	164
Contributions to UIF, Medical and Pension Funds	126	28
	<b>1,354</b>	<b>1,337</b>

#### Remuneration of the Executive Director : Development Planning and Urban Development

Annual Remuneration	923	977
Car Allowance	108	97
Performance Bonuses	-	147
Contributions to UIF, Medical and Pension Funds	45	12
	<b>1,076</b>	<b>1,233</b>

#### Remuneration of the Executive Director : Environmental Management

Annual Remuneration	266	1,504
Car Allowance	18	108
Performance Bonuses	-	262
Contributions to UIF, Medical and Pension Funds	-	2
	<b>284</b>	<b>1,876</b>

#### Remuneration of the Executive Director : EISD

Annual Remuneration	1,150	1,526
Car Allowance	78	153
Performance Bonuses	81	-
Contributions to UIF, Medical and Pension Funds	28	2
	<b>1,337</b>	<b>1,681</b>

#### Remuneration of the Executive Director : Housing

Annual Remuneration	1,130	724
Car Allowance	88	128
Performance Bonuses	-	15
Contributions to UIF, Medical and Pension Funds	88	12
	<b>1,306</b>	<b>879</b>

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### 33. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Chief of Police

Annual Remuneration	765	1,083
Car Allowance	68	102
Performance Bonuses	43	179
Contributions to UIF, Medical and Pension Funds	114	163
Eminence Allowance	147	220
	<b>1,137</b>	<b>1,747</b>

#### Remuneration of the Executive Head : Emergency Management Services

Annual Remuneration	703	1,030
Car Allowance	-	27
Performance Bonuses	-	174
Contributions to UIF, Medical and Pension Funds	32	33
Eminence Allowance	-	18
	<b>735</b>	<b>1,282</b>

#### Remuneration of the Executive Director : Transportation

Annual Remuneration	1,596	1,508
Car Allowance	73	73
Performance Bonuses	-	184
Contributions to UIF, Medical and Pension Funds	239	228
	<b>1,908</b>	<b>1,993</b>

#### Remuneration of the Executive Director : Health

Annual Remuneration	1,655	1,562
Car Allowance	108	108
Performance Bonuses	-	325
Contributions to UIF, Medical and Pension Funds	-	2
	<b>1,763</b>	<b>1,997</b>

#### Remuneration of the Executive Director : Corporate Services

Annual Remuneration	1,583	1,697
Car Allowance	128	158
Performance Bonuses	-	107
Contributions to UIF, Medical and Pension Funds	78	30
	<b>1,789</b>	<b>1,992</b>

#### Remuneration of the Director : Office of the City Manager

Annual Remuneration	1,079	341
Contributions to UIF, Medical and Pension Funds	49	15
	<b>1,128</b>	<b>356</b>



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### 33. EMPLOYEE RELATED COSTS (continued)

#### Chief of Staff

Annual Remuneration	834	580
Car Allowance	75	-
Contributions to UIF, Medical and Pension Funds	84	89
Eminence	-	125
	<b>993</b>	<b>794</b>

#### Remuneration of the Group Head : Urban Management and Citizen Relationship Management

Annual Remuneration	743	-
Car Allowance	54	-
Performance Bonuses	79	-
Contributions to UIF, Medical and Pension Funds	69	-
	<b>945</b>	<b>-</b>

#### Remuneration of the Group Head : Governance

Annual Remuneration	606	-
Car Allowance	48	-
Contributions to UIF, Medical and Pension Funds	31	-
	<b>685</b>	<b>-</b>

#### Remuneration of the Chief Operations Officer

Annual Remuneration	2,171	-
Car Allowance	144	-
Contributions to UIF, Medical and Pension Funds	114	-
	<b>2,429</b>	<b>-</b>

#### Remuneration of the Council Secretary

Annual Remuneration	122	-
Car Allowance	7	-
Contributions to UIF, Medical and Pension Funds	3	-
	<b>132</b>	<b>-</b>

#### Remuneration of the Secretary of Council

Annual Remuneration	472	-
Car Allowance	43	-
Contributions to UIF, Medical and Pension Funds	24	-
	<b>539</b>	<b>-</b>

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### 34. REMUNERATION OF COUNCILLORS

Executive Mayor	1,052	995
Mayoral Committee Members	8,812	8,229
Speaker	855	829
Councillors	78,374	79,414
Councillors' pension contribution	7,859	8,824
Chairpersons	13,459	-
	<b>110,411</b>	<b>98,291</b>

#### Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	808	759
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	133	48
Cell Allowance	40	-
	<b>1,109</b>	<b>935</b>

#### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis by the Council.

Each is provided with an office and secretarial support at the cost of the Council.

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

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

# City of Johannesburg Metropolitan Municipality

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<b>35. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	1,149,325	1,120,566
Investment property	12,225	11,895
Intangible assets	223,798	148,998
	<b>1,385,348</b>	<b>1,281,459</b>
<b>36. IMPAIRMENT LOSSES</b>		
<b>Impairments/(Reversal of impairments)</b>		
Investments in Municipal Entities	29,102	126,245
These investments were impaired due to the possible absorption of these entities into the CJMM. For a more detailed description of these impairments, refer to Note 16		
Loans to Municipal Entities	22,398	122,165
The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4		
	<b>51,500</b>	<b>248,410</b>
<b>37. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES</b>		
Impairments	31,920	80
Allowance - Trade and other receivables	9,831	54,487
Allowance - Consumer debtors	762,264	377,954
Impairment loss - Trade and other receivables	(8,735)	14,779
	<b>795,280</b>	<b>447,300</b>
<b>38. CONTRACTED SERVICES</b>		
Fleet Services	49,919	57,551
Information Technology Services	206,322	238,211
Operating Leases	162,317	149,205
Other Contractors	20,861	16,925
Specialist Services	732,026	764,976
	<b>1,171,445</b>	<b>1,226,868</b>

Refer to note 41 for future operating lease commitments.

# City of Johannesburg Metropolitan Municipality

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### 39. GRANTS AND SUBSIDIES PAID

#### Grants paid to ME's

City of Johannesburg Property Company (Pty) Ltd	10,726	-
Johannesburg City Parks	502,705	457,182
Johannesburg Development Agency (Pty) Ltd	24,308	24,110
Johannesburg Metropolitan Bus Services (Pty) Ltd	319,450	293,919
Johannesburg Roads Agency (Pty) Ltd	495,047	445,300
Johannesburg Social Housing Company (Pty) Ltd	16,900	17,764
Johannesburg Tourism Company	-	39,917
Metropolitan Trading Company (Pty) Ltd	34,596	51,775
Pikitup Johannesburg (Pty) Ltd	1,148,779	1,076,356
Roodepoort City Theatre	10,134	9,853
The Johannesburg Civic Theatre (Pty) Ltd	26,724	26,818
The Johannesburg Zoo	22,887	42,793
The Soweto Theatre	10,000	-
	<b>2,622,256</b>	<b>2,485,787</b>

#### Other subsidies

Grant paid : Housing top structures	141,160	112,942
Grant paid : Other	11,648	18,868
Grant paid : Sporting Organisations (Marks Park Sports Club)	1,147	1,147
	<b>153,955</b>	<b>132,957</b>
	<b>2,776,211</b>	<b>2,618,744</b>

Grants paid to MEs are utilised to fund capital and operational expenditure.

The grants paid are based on the approved operating and capital budgeted amounts as approved by Council.

### 40. GENERAL EXPENSES

Advertising	19,266	8,759
Auditors remuneration	19,306	19,574
Bank charges	58,976	56,402
Consulting and professional fees	46,445	49,731
Cost of inventories expense	14,256	14,273
Debt collection	194,137	170,949
Hire	4,498	8,522
Insurance	123,474	138,454
Conferences and seminars	15,555	5,048
Lease rentals on operating lease	195,864	137,503
Marketing	27,793	27,231
Printing and stationery	127,203	76,656
Security (Guarding of municipal property)	154,985	179,684
Software expenses	23,816	25,484
Staff welfare	1	28
Subscriptions and membership fees	12,668	9,408
Telephone and fax	41,796	44,143
Training	22,095	23,386
Travel - local	5,269	5,875
Travel - overseas	5,447	5,707
Utilities	534,317	486,559
Settlement of contingent liability	490,720	318,101
Incident management fund	36,338	33,230
Settlement of contingent liability	-	10,000
Expense 10	97,272	95,010
Other expenses	276,875	216,932
	<b>2,548,372</b>	<b>2,166,649</b>

# City of Johannesburg Metropolitan Municipality

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### 41. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and not yet contracted for

• Infrastructure	999,677	1,042,866
• Community	216,977	100,200
• Other	868,526	165,055
• Heritage	7,724	15,100
• Housing development fund	1,000	-
	<b>2,093,904</b>	<b>1,323,221</b>

##### Authorised and contracted for

• Infrastructure	866,389	559,506
• Community	50,000	28,558
• Other	104,813	29,600
	<b>1,021,202</b>	<b>617,664</b>
	<b>3,115,106</b>	<b>1,940,885</b>

##### This expenditure will be financed from:

External Loans	772,701	274,300
Capital Replacement Reserve	804,830	11,142
Government Grants	1,516,645	1,650,443
District Council Grants	20,930	5,000
	<b>3,115,106</b>	<b>1,940,885</b>

##### Operating leases - as lessee (Fleet)

##### Minimum lease payments due

- within one year	-	155,639
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##### Operating leases – as lessee (Buildings)

##### Minimum lease payments due

- within one year	46,437	63,219
- in second to fifth year inclusive	48,530	67,988
- later than five years	2,309	2,608
	<b>97,276</b>	<b>133,815</b>

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 40.

Operating lease smoothing and calculations are based on the contracts relating to operating leases of buildings held in the various Departments of the CJMM. The average leasing term for the CJMM is 4 years and the average escalation rate is 9%. Restrictions imposed on lease agreements are limited to those contained in individual contracts. A complete register of operating leases, as well as all the contracts are maintained by facilities management.

# City of Johannesburg Metropolitan Municipality

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### 42. CONTINGENCIES

#### Controlling entity

#### Uninsured claims & litigations

Five Plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road. (This claim was originally for R4,146,583.00 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.00.

Claim for damages for R10,000,000.00 in respect of relocation of homeless people. The Plaintiff sued the City allegedly because the City relocated homeless people onto the Defendant's property without his consent, making it impossible for him to develop the property.

Claim for damages against the COJ amounting to R11,668,746.00. The claim is based on an alleged breach of contract in that the City has allegedly failed to use its "best endeavors" to have the property transferred to the plaintiff.

Claim for R50,000,000.00 for services rendered in terms of contract for the provision of red light violation services. The matter was referred to arbitration.

Claim for at least R39,000,000.00 plus legal costs in respect of monies allegedly owing by the City of Johannesburg to a previous service provider for IT services rendered.

The Plaintiff instituted action against the City for wrongful termination of contract. It sought relief twofold, to uphold the contract, alternatively damages in the sum of R33,150,639.30. The matter was referred to arbitration, the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the Plaintiff has not taken any further steps for more than one year now.

The City appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592.00.

The City is being sued in the amount of R52,000,000.00 by a firm of consulting engineers who claim they were not paid for work done in the construction of a stadium for the 2010 Soccer World Cup in full and final settlement of all claims with regard to this contract.

Claim for unpaid services plus interest in the amount of R3,467,826.82. A tender in the amount of R1,976,616.08 plus interest and costs was made to the court. The City is disputing the difference between the amount being claimed and the amounts as per the tender.

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### 43. FRUITLESS AND WASTEFUL EXPENDITURE

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	5,769	5,715
Fruitless and wasteful expenditure current year	446	112
Approved by Council or condoned	(15)	(7)
Fruitless and wasteful expenditure under investigation	-	(51)
<b>Transfer to other debtors for verification</b>	<b>6,200</b>	<b>5,769</b>

#### 2013

Revenue and Customer Relations

Interest charged for the payment of late accounts - R10,569.38.

Legal expenses - R18,712.53.

Disciplinary steps/criminal proceedings : None.

Group Corporate and Shared Services

Interest on late payment of TSS Managed Services PTY LTD Account. ICT authorized the account for payment (including interest).

Disciplinary steps/criminal proceedings : None.

Housing

Interest paid on late accounts - R196,470.00.

Disciplinary steps/criminal proceedings : None.

Development Planning and Urban Management

All matters are under investigation and a report will be forwarded to council regarding the outcomes and condonement.

Disciplinary steps/criminal proceedings : None.

JMPD

Interest charged on various invoices from Eskom for electricity to the value of R3120.56

Interest charged on various invoices from Post Office for bulk postage to the value of R0,420.47

Disciplinary steps/criminal proceedings : None

Economic Development

Telkom Interest - R8,231.00.

Disciplinary steps/criminal proceedings : None.

Emergency Management Services

The expenditure for R206,397.70 was for Alexandra Forbes, after a court order was issued for the payment to be processed.

Disciplinary steps/criminal proceedings : None.

#### 2012

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# City of Johannesburg Metropolitan Municipality

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### 43. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments has been made - R10,000.00.

Disciplinary steps/criminal proceedings : None.

JMPD

Internal Affairs was not represented at the Arbitration hearing Invoice No. 0235 dated 28/01/2009 for R2,200.00, Invoice No. 0459 dated 06/03/2012 for R3,240.00 and Invoice No. 0658 dated 06/03/2012 for R3,000.00.

Disciplinary steps/criminal proceedings : Copies of invoices given to Head of Internal Affairs to take necessary action.

Economic Development, Office of the Executive Mayor, Finance, Revenue and Customer Relations, Housing, Development Planning and Urban Management, Emergency Management Services, JMPD

Interest charged on late payments - R103,038.00.

Disciplinary steps/criminal proceedings : Investigations have been made as to the cause of the problem and steps will be taken to prevent a recurrence in the future.

### 44. IRREGULAR EXPENDITURE

#### Reconciliation of irregular expenditure

Opening balance	575,120	339,732
Irregular expenditure current year	1,559	235,529
Approved by Council or condoned	(1,293)	(141)
	<b>575,386</b>	<b>575,120</b>

#### 2013

Office of the Speaker

ACA Krans, R922,993.00 condoned for continuing occupancy of building without authorised extension of the lease contract.

Khayalami Building - leasing via JPC, EAC Decision Clause 27, amount outstanding to date, R266,422.00.

STD Bank Jabulani Building, contract renewed and signed through JPC, an amount of R369,896.61 approved for financial year end 2013.

Disciplinary steps/criminal proceedings : None.

#### 2012

1. Multilingual : service acquired without contract in place - Ratification Approved, R141,215.00.
2. Events Galore : service incurred without valid order - Awaiting ratification R66,883.00.
3. Tim Dollar Cleaning Service : no valid contract - Awaiting ratification R52,150.00.
4. Butomi : procurement processes not followed (RFQ not done) - Awaiting ratification R14,475.00.

Disciplinary steps/criminal proceedings : None



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### 44. IRREGULAR EXPENDITURE (continued)

5. Approval to Appoint a Service Provider to Supply Operational Uniforms for Emergency Services using quotations, Service Provider Fine Fit Uniforms and Overall CC, Link Reflective and Protective Designs CC, Simon Setuke Distributors CC, R9,775,275.30.  
Reason  
Emergency Management Services has been unable to procure and issue uniforms to employees over the past three years and the situation reached levels where employees were de-motivated, threatening industrial action and at times report to work in civilian clothes. The issue of the lack and non-provision of uniform had already been a subject of the media through some disgruntled employees and may be used as a basis by labour representatives to incite industrial action. It is on this basis that EMS management approached the City Manager and the Executive Adjudication Committee to allow the process to solicit "quotation process" on the basis of the submissions that have been received during the tender process as the process to re-advertise would be lengthy.
6. Development Planning and Urban Management Building Control, Service Provider JT Ross Properties Services (Pty) Ltd, Lease per month R31,747.00, Operating Cost R8,159.00, 12 Covered Parking R4,549.00, 3 Open Parking Bays R732.00 and Rates and Services R1,293.00.  
Reason  
The Department Planning & Urban Management has been leasing unit 3, 4A and 5A including 12 covered parking bays and 3 open parking bays situated at 16 street, Alphen Square North, Midrand for the past 3 years. The Department requested a deviation to continue to use/lease the premises as the public is aware of the location of the offices and it has been constructed to accommodate the need of the department.
7. Deviation from Supply Chain Management Processes Regarding the Extension of Contract No: A264 for the City of Johannesburg Website and News Agency During the Website Migration Project Implementation, Service Provider Dimension Data,  
(i) Ratification: Reg 36(1)(b) 6 August to 5 September R367,891.66  
(ii) Deviation: Regulation 36(1)(v) September 2011 to February 2012 R1,839,458.30.  
Reason  
The current contract for the hosting of the City's website expired on 5 August 2011. The user department requested that the contract be extended to facilitate migration of the website to the City's CIOG office. Sufficient lead times are required to implement the website migration project. The required extension will allow for the procurement of the required infrastructure, installation and hand over the implementation of the project.
8. Authorisation for Procurement of Catering for 500 People at the Funeral of the Late Mrs Albertina Sisulu, Service Provider Lapa La Rona Catering, R345,556.80.  
Reason  
Urgent requirement, it was impractical for the department to go out on tender.
9. Department of Economic Development, Liberty Life, R3,108,840.48.
10. Approval of Payment for the Service Provider: Events Galore, Service Provider Events Galore Oasis Initiative and Tsutsumani In Alexandra R1,401,118.44, Marlboro and Alexandra Techno-Hub R3,987,856.80.  
Reason  
(1) Quotations were solicited from a panel approved by the EAC: Proposal number A290C: Appointment of Consultants for the provisions of strategic marketing, administration on Events Management for the City of Johannesburg. The two companies recommended by the user department, are only awarded the items/services:  
- Events Management  
- Brand Management  
- Communications  
(2) The department awarded project management to the service provider Events Galore who was not allocated/awarded this item in the panel.

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### 44. IRREGULAR EXPENDITURE (continued)

11. Request to Approve Variation/Scope of Work: Gas Expansion Strategy for the City of Johannesburg, Service Provider SAHA International (Pty) Ltd R141,600.00.  
Reason  
The Central Adjudication Committee awarded RFP A390 to SAHA International (Pty) Ltd on 10 November 2010 to develop the strategy for the expansion of natural gas in the City. While conducting these two of the project which was scoped in the original appointment, the Energy Sector (IS) realized that the scope of the project was limited and confines itself only to natural gas. Upon evaluating the risk, cost and opportunity cost of not including other gases in the current strategy, the Energy Sector was of the opinion that the scope of contract be increased to cover other gases rather than confine narrow the assignment to natural gas alone. A decision was taken to have the service provider evaluate the scope change and its impact thereof, which resulted in the increase in the original pricing of R951,200.00 with an additional R141,600.00 hence the request for the deviation under Regulation 36(1)(a)(v).
12. Engaging a service provider without following supply chain management procurement process, Service Provider Ulwaza Protection Services, R86,251,84.  
Reason  
(1) There were councillors who were attacked and threatened to be attacked due to service delivery protests and a service provider was identified as a suitable service provider to undertake the risk assessment profile of two (2) of councillors of the City. Due to the urgency and sensitivity of the matter, it was therefore impractical or impossible for the City to go out for an open Bid process after the 2011 Municipal Elections.
13. Enterprise resource planning frontline support services, Service Provider, Dimension Data, R528,000,00.  
Reason  
During the transitional period for Contract: A387, previous service providers continued to provide services to the department even after the expiry of their contracts hence the request for the ratification.
14. Deviation from the Normal Procurement Processes for the Supply of Resources for a Call Centre, Service Provider EOH, R6,397,281.00.
15. Deviation from the Normal Procurement Processes for Enterprise Resource Planning Post Implementation Support and End-User Training, Service Provider EOH Mthombo (Pty) Ltd, R68,706,800.00.  
Reason  
The City entered into an agreement with EOH Mthombo (Pty) Ltd for the period 1 July 2010 to 30 June 2011 to render the Post Programme Phakama implementation support for the 1st and 2nd line ISU/CRM. The Contract came to an end on 30 June 2011 and there was a risk that the COJ SAP ISU/CRM end-users were not skilled enough to transcut on the SAP system without the assistance from the 1st line support consultants; hence the request for the extension of the contract of the service provider to continue to provide the specified specialist post implementation support for the 1st and 2nd line end user training.
16. Legal & Compliance, Service Provider Fem Power (a Division of the Workforce Group), R137,091.00.  
Reason  
The process to recruit and appoint a person in the position of City Manager was considered time consuming and the need existed to ensure a smooth transition, since the contract of the former City Manager was expiring at 30 September 2011. As at that time, there was no tender in place for the recruitment of senior executives in the City. The matter for the recruitment and appointment of the City Manager was considered special and urgent where it was impossible to follow the normal procurement process hence the request for deviation.
17. Request for Extension of Contract of StratAlign/Tokiso for the Facilitation of the Seat Allocation Working Group Talks (Talks about Talks with the Potential Operators for Phase 1B of Rea Vaya, Service Provider, StratAlign/Tokiso R1,205,760.00.  
Reason  
The EAC of 12 November 2010 approved the appointment of StratAlign/Tokiso to facilitate the initial preparatory talks about talks process for the determination of the business modes between the City and potential affected operators. This extension was to facilitate the further preparatory talks for phase 1B and bearing in mind the sensitivities of these talks about talks. This service provider has the detailed understanding and knowledge of the industry and the BRT process. Further the parties were asked who they would feel comfortable with and requested these service providers hence the request for a deviation, as it would be impractical for the City to go out on tender as the taxi industry has identified their choice of a service provider.

# City of Johannesburg Metropolitan Municipality

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### 44. IRREGULAR EXPENDITURE (continued)

18. Transportation, Service Provider Putco Properties (Pty) Ltd, R1,636,014.00.  
Reason  
During August 2009, the EAC authorised conclusion of a lease with Putco of its Nancefield bus depot for two years until 31 August 2011, pending construction of the Dobsonville Rea Vaya depot. As indications were that the Dobsonville depot would be ready by the end of April 2012 and that it would take about a month to move over from Nancefield, the EAC was prior to the expiry of the existing lease with Putco during July 2011 asked for permission to w.e.f 1 September 2011 extend it by 9 months until the end of May 2012 at the agreed annually escalated (9%) rent of R181,779.30, plus VAT, per month.
19. Renewal of Taxi Storage Contract for 48 Taxis with "Bohlokoa", Service Provider Bohlokoa Outdoor Advertising (Pty) Ltd, R171,000,00.  
Reason  
This is for the storage of mini bus taxis which was required prior to the mini bus taxis being disposed of. The service provider was initially sourced on open tender. However as the tender needed to be extended since the process of disposal to look longer than anticipated due to the fact that some taxis had problems with their operating licenses and others still had HP amounts owing. The Transport Department working with the taxi industry have been working on solutions for these problems but at the time of this EAC request, 48 taxis still needed to be stored. It was impractical for the department to go out on competitive bidding process to finalise the assignment already undertaken and awarded to the service provider.
20. Transportation, Learncorp, Afrigis and BPS Capital, R1,434,145.00.  
Reason  
In a Memorandum of Understanding ("MOU") between the Taxi Industry and the City, the former Executive Mayor committed the City to:  
Provide the Taxi Industry with the human and material resources necessary for the industry to adequately and competently participate in the project.  
Assist with resources that ensure adequate consultation of the Taxi Industry on all aspects of the project.  
A similar Memorandum Of Agreement ("MOA") is to be signed with the present Executive Mayor and City Manager, wherein a similar commitment will be made.  
In the above MOA, the terms and conditions under which the POA's are able procure their own technical support are set out, including that, while there is a deviation from normal procurement processes, all other City procurement and payment processes must be adhered to.
21. Transportation, FOT Consulting CC, R359,600.00.  
Reason  
This was not approved by the EAC.
22. Transportation, Saha International SA (Pty) Ltd, R5,258,454.00.  
Reason  
Due to various delays in the implementation of the AFC system by TMT, inter alia the above-mentioned renegotiation of the AFC Main Agreement with TMT as a consequence of the Regulations promulgated by the national Department of Transport ("DoT"), Saha was unable to complete its agreed work scope at the time of the expiry on 18 August 2011 of its AFC Consultancy Services SLA with the City, which was previously extended from 2 to 3 years for the same reasons. It furthermore transpired that, once installation of the AFC System by TMT commences, professional assurance services would be required to ensure that the City is getting what is required by the NDOT regulations as Saha had assisted with the design of the AFC system and has the necessary institutional background and the procurement of another service provider capable of taking over from Saha would be too time consuming and cause even further delays, the extension was authorized by the EAC.
23. Chief Whip Office, Robby's Place Catering, R50,000.00.  
Reason  
No reasons provided.

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### 44. IRREGULAR EXPENDITURE (continued)

24. Ratification of Actions of Department Community Development for Exceeding Value of the Carnival 2010 Programme and Request to Increase the Value, Service Provider Event Masters R172,532.95.  
Reasons  
(1) The Community Development (Directorate Arts/Culture) processed a call for proposal under panel approved by the City, panel for the provision of strategic marketing services project management, administrators and event management services to manage the implementation of the 2010 carnival event.  
(2) However during the process of reconciling the invoices with payments made, it was established that the original budget of R2,000,000 has been exceeded by R172,532.95.
25. Corporate and Shared Services, Imbali Props 59 (Pty) Ltd, R6,720,300.00.  
Reason  
(1) The former Region 9 Head Office (now Region F) is located at Eureka House in Springfield for the past 9 years. The previous 3 year lease agreement expired on 28 February 2011 and the City entered into a month to month lease until end June 2011 to allow Facility Management to complete a feasibility study to evaluate the suitability of the facility for the continued occupation by the Region  
(2) There are no other commercial buildings available within a radius of 5km from the current location. There are however suitable B grade facilities available within the CBS of Johannesburg but in most cases at high cost.
26. Planning Urban Management, Viking Pony Properties (Pty) Ltd, R301,251.00.  
Reason  
When the urban management model for the inner City was devised the quadrant approach was adopted. The Department region F faced complex challenges in its search for suitable office space to accommodate quadrant 1 and 2. After extensive research, suitable office space was identified at 137 Siverwright Avenue, new doornfontein to accommodate 20 staff members. If it would thus be impractical to undertake the entire exercise of identifying alternate office accommodation particularly with faults by management and maintenance having to take decision on the future of the region's corporate building which could impact on quadrant offices. It is therefore proposed that the lease agreement be extended for a period of twelve (12) months.
27. Extension for the Utilisation of the Sithole Human Capital, Service Provider, Sithole Human Capital R946,382.  
Reason  
Initial approval for work done was exceeded due to the amendment of the Strategy and this did not allow the department sufficient time to solicit additional funding and authorisation hence the request for deviation.
28. Transportation, Ernst & Young, R612,612.00.  
Reason  
No reasons provided.
29. Extension of SAHA's AFC Consulting Services contract until installation of AFC System by TMT, Service Provider SAHA, R5,408,502.00.  
Reason  
This motivation was taken to the EAC to report on the necessity to renegotiate the TMT AFC tendered contract after the publication of the Automated Fare Collection regulations by the National Department of transport and to seek permission to commence. It also addressed the necessity to contract ABSA outside of the banking agreement for a period of three years.
30. Extension of SAHA's AFC Consulting Services contract until installation of AFC System by TMT, Service Provider SAHA R586,135.85.  
Reason  
This is the deviation including a scope adjustment and it was impractical for the department to go out on tender.
31. Extension of Taxi Storage contract for 53 taxis with Bohlokoa (Pty) Ltd, Service Provider, Bohlokoa Outdoor Advertising (Pty) Ltd R63,380.  
Reason  
This is a further deviation in respect of the above. The number increased because some taxis that were repossessed by the banks were returned after the City paid the outstanding HP requirements, hence the request for the ratification as the vehicles were already stored at the same venue by the same service provider.

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### 44. IRREGULAR EXPENDITURE (continued)

32. Extension of procurement of protection services at the Erstwhile and the newly elected executive mayors residences Service Provider, Zungizile protection services R175,050.03, R350,100,06 and R83,357,16 and R66,120.00.  
Reason  
Contract to provide Security Services to the residence of the Erstwhile Executive mayor and new Mayor extended due to the hand over period and pending finalization of a new procurement process to appoint a new service provider.
33. Public Liason, Thuso group T/A Thuso exhibition, R3,000,000.00.  
Reason  
No reasons provided.
34. Finance, Hunter Van Ryneveld (Pty) Ltd, R3,796,656.00.  
Reason  
No reasons provided.
35. JMPD, Nkonki Incorporated, R7,299,000.00.  
Reason  
No reasons provided.
36. Community Development (library and information services), Momentum Property Investments (Pty) Ltd, R132,063.00, Midrand Business Park (Halfway House Library), R448,140.00, Killarney Mall Properties (Pty) Ltd (Killarney Library), R95,278.00, Malvern Plaza CC (Malvern Library), R121,710.00.  
Reason  
No reasons provided.
37. Housing Department, Urban Dynamics Gauteng, R32,324,488.00.  
Reason  
No reasons provided.
38. Public Liason, Gear House South Africa, R475,900.00, The Moving Billboards Picture Co, R175,000.00.  
Reason  
No reasons provided.
39. Community development (Library and information services), Universal Knowledge Software, R5,540,913.00.  
Reason  
No reasons provided.
40. Appointment of a service provider for temporary staff for the Billing Management Department, Service Provider, Mandisa Personnel CC, R481,536.00.  
Reason  
When the procurement process to appoint a Recruitment Agency commenced, it was established that the contract expired and that Corporate and Shared Services (Human Resources Shared Services) commenced with the tender process but that the process was not finalised. Due to the lengthy process of finalising the tenders, awarding a contract as well as the urgency of dealing with the Auditor General matters, Revenue and Customer Relations Management made a decision to obtain three quotations from an expired contract hence the request for a ratification.
41. Payment of the Service Provider:Netgen for Upgrade of the City's Waste Information System during 2010/2011 Financial Year, Service Provider Netgen R184,942.00.  
Reason  
All procurement process followed, however there was an oversight from the user department to obtain the signature from the delegated official in terms of SCM delegations to approve the appointment and therefore the service provider was engaged without proper authority, hence the request for a ratification.
42. Corporate Shared and Services, CEZ Investment CC, R8,012,544.00.  
Reason  
No reasons provided.

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### 44. IRREGULAR EXPENDITURE (continued)

43. Accommodation-Health Department, Region B, Auckland Park period 3 years, service provider, ACA Krans Trust R2,661,815.52.  
Reason  
The Health Department has established its offices at 35 Symons Road, Auckland Park over the period of 8 years and the public and the suppliers have been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
44. Appointment of Events Galore Once off payment, Service provider Events R53,547.00.  
Reason  
Service Providers scope of work extended to cover the emergencies that occurred as a result of demonstrations by communities.
45. Appointment of Technical Support to Phase 1A BRT Mini-Bus Taxi Operators Owned Investment Companies (TOIC's) Once off payment, Service Provider FOT Consulting R154,400.00.  
Reason  
Extension of the original scope of work done by FOT.
46. Appointment of Gil Penelosa from "8-80 Cities" to Conduct a series of "Street Alive" Workshops for Transport Officials, Key Stakeholders and Members of the Public. Once off payment, Service provider Mr Gil Penelosa R151,864.00.  
Reason  
The City's Transport department has adopted the "Streets Alive" programme as part of its goals of transforming the way transport programmes are implemented in communities.  
The Street Alive programme is in line with the City's 2040 GDS strategy, which aims to transform Johannesburg into an African City that provides quality of life for its citizens.
47. Accommodation - Shareholders Unit, Service Provider Kuper Leigh Property Management Pty Ltd R1,819,041.17,  
Reason  
The Shareholders Unit lease at Parktown was extended on a month to month basis for a period of 3 years whilst the department awaits the outcome of the institutional design.
48. Accommodation - Corporate and Shared Services, Service provider Life Properties R11,905,710.24,  
Reason  
The Finance Department lease at 66 Jorissen Street was extended on a month to month basis for a period of 12 months as the department was awaiting the consolidation strategy championed by Group Corporate and Shared Services.
49. Approval of Payment of the Service Provider: Turncard Trading 111 (Pty) Ltd for Bruma Lake Bioremediation Project, Service Provider: Turncard Trading 111 (Pty) Ltd R199,785.00.  
Reason  
The Procurement Process relating to the advertisement of quotations on the Notice Board was followed however: The service provider was engaged without the appointment report being signed by Director SCM in terms of her SCM delegation, hence the request for a ratification.
50. Approval of Payment of the Service Provider, Kaleo Consulting, for the Facilitation of the GDS Environmental Week Session, Service provider Kaleo Consulting R96,843.00.  
Reason  
The GDS Co-Ordinating Committee through the Central Strategy Unit was mandated to source services for all department for the outreach process. However this could not materialise due to the short notice given and therefore individual departments were only advised to source their services directly. This was only after the consumption of such services. Hence the request for a ratification.
51. New Lease Agreement at Traduna Centre Braamfontein, service Provider Kovacs Investment R18,449,540.00.  
Reason  
In terms of the institutional Review Process (IRP), the Infrastructure Services Department and Environmental Management Services Department have integrated. This has resulted in the extension of the lease at Traduna being extended to accommodate the integration of the two departments. Hence the request for a deviation.

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### 44. IRREGULAR EXPENDITURE (continued)

52. Baseline Increase: Current Microsoft Enterprise Agreement, Service Provider, Microsoft, R3,449,089.01.  
Reason  
Sole provider of Microsoft Software.
53. Approval of payment of the Service Provider, Manenzhe Hygiene Solutions, Service Provider, Manenzhe Hygiene Solutions, R72,000.00.  
Reason  
Revenue and Customer Relations Management utilised the services of Manenzhe Hygiene Solution from FMMU approved (Contract 144/08) Panel of Service Providers to provide services to the City of Johannesburg. This contract expired in March 2012 but the department continued to utilise the service provider for a period of three months ( April to June ), as these services could not be discontinued as it was going to pose a health risk to call centre staff and management.
54. Approval of Payment of Service Provider: Steiner Hygiene,Service Provider Steiner Hygiene R80,401.60.  
Reason  
Revenue and Customer Relations Management utilised the services of Steiner Hygiene from FMMU approved (Contract 176/08), which expired on the 31 September 2011. This service could not be discontinued as it was going to pose a health risk to call centre staff and management. Hence the ratification for approval of payment.
55. Request for subscribing to HIS Information & Insight (Global Insight) Pty and Quantec Research (Pty) Ltd Service Provider HIS Information & Insight (Pty) Ltd (Global Insight) R49,590.00 and Quantec Research (Pty) Ltd R69,084.00.  
Reason  
Sole Provider of Regional Explorer (Rex) Database and EasyData.
56. Approval of Payment of Service Provider: Steiner Hygiene R151,044.00.  
Reason  
Community Development (Art Culture and Heritage) utilised the services of Steiner Hygiene from FMMU approved (Contract 176/08) Panel of Service Providers to provide Cleaning Services to the City of Johannesburg, that later expired and R&CRM informed FMMU but response was not clear whether the contract would be renewed by FMMU. This service could not be discontinued as it was going to pose a health risk to the museum staff and public, hence the ratification for approval of payment.
57. Approval of Payment of the Service: Request to appoint Events Galore to Facilitate a Strategic Breakaway of the Private Office of the Executive Mayor 13-14, Service Provider Events Galore, R127,442.70.  
Reason  
The private Office of the Executive Mayor followed the normal procurement process in terms of soliciting three quotations from a approved panel, but however the adjudication report was not submitted to the Director: SCM for consideration/approval prior to the engagement of the supplier.Hence the ratification for approval of payment.
58. Ratification of Actions on contract 207/08: The Supply and Delivery of Weekday and Weekend Newspapers to the City. Service Provider Continent Transport Services R241,642.54.  
Reason  
Service were rendered after the expiry and within the transition to the new contract which came into effect in January 2012. the amount of R241 642.54 was for the services rendered in December 2011. Hence the ratification for approval of payment.
59. Approval of Payment of Printing for the Notifications to Property Owners of Supplementaries as printed in Supplementary Valuation roll 9 for the period, 2 January 2012 to 23 April 2012, Service Provider Mailtronic Direct Marketing CC R463,002.15.  
Reason  
The Sec 49 notification from the supplementary valuation Roll 9 needed in terms of urgency to be posted with the monthly statements, hence Mailtronic Direct Media cc, the current service provider for the posting of monthly statements was requested to include in those statements the section 49 notification. Unfortunately due to urgent nature of the requirement no price approval was obtained. Hence the ratification for approval.

# City of Johannesburg Metropolitan Municipality

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### 44. IRREGULAR EXPENDITURE (continued)

60. Extension of the existing Lease Agreement for a further period of three years relating to Office Accommodation at 222 Smit Street, Braamfontein, Service Provider Broll Property Management Company R11,301,848.02.  
Reason  
The Housing Department has established its offices at 222 Smit Street, Braamfontein the public and the suppliers has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
61. Extension of the existing Lease Agreement, Service Provider ACA Krans R314,094.51.  
Reason  
FMMU has established its offices at 222 Smit Street, Braamfontein the public and the suppliers has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
62. Deviation and Ratification of actions of Community Development in Relation to the services and period of operation Service Provider Steiner Hygiene, R240,000.00.  
Reason  
The user department engaged the service provider under contract 176/08 approved by the city, however the contract expired in October 2011 and the user department continued to utilised the services of Steiner Hygiene from the period February to July 2012 as discountinuing these services would have posed a serious health risks.
63. Extension of the existing Lease Agreement, Service Provider Liberty Life Properties (Pty) Ltd R751,786.78.  
Reason  
The department had requested permission to reside in Jorissen Place from 1st January 2012 to 31 December 2012, being the period which an alternative accommodation would be sourced.

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# City of Johannesburg Metropolitan Municipality

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### 45. UNAUTHORISED EXPENDITURE

#### Reconciliation of unauthorised expenditure

Opening balance	51,711	48,498
Unauthorised expenditure current year	-	3,213
	<b>51,711</b>	<b>51,711</b>

### 2012

#### Emergency Management Services

Payments made to Fleet Africa for the leasing of vehicles, in the absence of sufficient budget R518,207.00.

Disciplinary steps/criminal proceedings : The Gauteng Provincial Government has signed a memorandum of understanding with the COJ EMS so as to increase the budget of leased vehicles.

#### Infrastructure and Services Department

During the EMT workshop that was held on the 22 November 2011, it was recommended that Departments and Municipal Entities should reprioritize their operating budgets with cuts of 5% being contributed towards the revenue challenges faced within the City. The budget reduction had an impact on the department's Employee Related Costs, as there was no other classification which could be used to reduce the budget by the required 5%, thus the over - spending on employee related costs.

Disciplinary steps/criminal proceedings : None

# City of Johannesburg Metropolitan Municipality

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### 46. IN-KIND DONATIONS AND ASSISTANCE

The Office of the City Manager received the following:

- 1 Leather Cardholder donated by Dimension data worth, R200.00.
- 1 Silver pen donated by Nedbank worth R150.00.
- 1 Bottle of Johnnie Walker red Label Scotch donated by Inquest Investigations worth R180.00.
- 1 A4 diary donated by Inquest Investigations worth R250.00.
- 1 2013 calander & diary donated by AF Van Wyk Attorneys worth R200.00.
- 1 Cooler bag donated by Metrobus worth R100.00.
- 1 bottle of The Glenlivet scotch whisky donated by Sanlam worth R290.00.
- 2 sets of Bettoni Pens donated by Mchunu Attorneys worth R274.00.
- 3 sets of Key holders, card holders and pens donated by the Auditor General worth R89.00.
- 1 pack of Mountain Tea donated by the Shangai delegation worth R300.00.
- 1 Christmas card donated by MMC Nonceba Molwele worth R70.00.
- 1 Christmas card donated by Thuli Madonsela worth R20.00.
- 1 Christmas card donated by Chiang Chie Foo permanent secretary & Mrs. Audrey Chiang worth R20.00.
- 1 Christmas card donated by Vincenzo Schioppa worth R20.00.
- 1 Christmas card and DVD donated by Wendelin Eberle worth, R150.00.
- 1 Silver pen donated by Nedbank worth R150.00.
- 1 Bottle of Walker Red Label Scotch donated Inquest Investigations worth R180.00.
- 1 A4 Diary donated by Inquest Investigations worth R250.00.
- 1 American mustard donated by GIS worth R30.00.
- 1 Christmas Card donated by Bowman Gilfillan worth R20.00.
- Executive Gents gift set with a silk tie, pocket handkerchief donated by EOH worth R169.
- Joburg Places book donated by Gerald Garner: Author of the 2.0 Spaces and Places worth, R320.00.
- CD PACK : 100 Years, Mormon Tabernacle Choir, Orchestra at Temple Square donated by The Church of Jesus Christ worth, R500.00.
- Picnic Bag donated by MetroBus worth R200.00.
- Joburg Places book donated by Gerald Gardner worth R30.00.
- Braai Pack Utensils donated by Auditor General : South Africa worth R250.00.
- Strawberry Cream Liquer, Dirty Dancing CD and Teddy Bear donated by Tsogo Sun worth R400.00.

# City of Johannesburg Metropolitan Municipality

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### 46. IN-KIND DONATIONS AND ASSISTANCE (continued)

- A Book by Lulu Callinicos: Who Built Jozi donated by Professor Rob Moore Deputy Vice-Chancellor worth R350.00.
- Chivas Regal Cashew Nuts donated by Consulate of Mozambique republic in Joburg worth R300.00.
- Diary book and Pen donated by Regenesys Business School worth R100.00.
- WALKA 7 Portable TV donated by Imtiaz Patel Multichoice worth R899.00.
- Chivaz Regal Whiskey donated by Louisa Consul General Portugal - Jhb worth R150.00.
- Pen, Stand donated by AFCON 2013 worth R180.00.
- Wine and 2 Crystal Glasses donated by Vivian Reddy worth R500.00.
- Crafts with Identity donated by Gen Sec: Mr Alien Sauex Metropolis worth R250.00.
- ANDY C Collections: Spoon donated by Ethekewini Municipality worth R150.00.
- Business Card Holder and DVD by Marius Jovaisa donated by MAYOR OF VILNIUS R350.00.
- Johnny Waker donated by Anonymous worth R999.00.
- Beating the Odds : Socio Economic Justice for All donated by Black Management Forum worth R350.00.

Environmental and Infrastructure Services received the following:

- Airfare and Accommodation expenses towards Executive Director for trip undertaken to Switzerland, attending summit in the name of Tiaan Ehlers, donated by Global Energy Basel, worth \$1500 for Airfare and \$200 for accommodation.
- Airfare and accommodation expenses towards C40 Summit held in New York, attended by Linda Phalatse, Deputy Director, donated by C40 Cities Climate Leadership Group worth R15,374.22.
- Executive Director Tiaan Ehlers attended the international council for local environmental initiatives (ICLE) global town hall at Metropolitan Solutions, Hannover, Germany, donated by Metropolitan Solutions Forum, R37,247.73.
- Deputy Director Linda Phalatse attended the C40 Connecting Delta Cities workshop on climate adaptation and risk assessment, to be held in Rotterdam, Netherlands, donated by C40 Cities Climate Leadership Group, worth R25,081.24.
- Assistant Director Simphiwe Mbuli attended the Green Hub Korea conference, donated by Global Green Hub Korea 2013 worth R16,035.00.
- Mzukisi Gwata attended the resilient cities 2013 - 4th global forum on Urban Resilience an adaption in Bonn, Germany, donated by Resilient Cities 2013, worth R22,539.00.

Johannesburg Metropolitan Police Department received the following:

- 5 Toshiba Laptops donated by Eyethu Events, totalling R29,995.00.
- 4 Dogs donated by various donors worth R2000.00.

Community Development Department received the following:

- Prizes (Pick 'n Pay Gift vouchers) for the Science Scuffle reading competition donated by Friends of the Johannesburg Public Libraries worth R6,500.00.
- Corporate donations for books donated by Van Schaik Bookstores worth R103,200.00.

# City of Johannesburg Metropolitan Municipality

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### 46. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Friends of the Libraries funds donated by Various Friends of the Libraries worth R75,010.00.
- Book donations from unknown library members worth R613,874.00.

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# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to organised local government

Council subscriptions	9,620	9,800
Amount paid - current year	(9,620)	(9,800)
	-	-

#### Audit fees

Opening balance	1,555	3,289
Current year audit fee	19,317	19,408
Amount paid - current year	(19,233)	(21,142)
	<b>1,639</b>	<b>1,555</b>

#### PAYE and UIF

Opening balance	50,701	49,061
Current year payroll deductions	691,536	657,897
Amount paid - current year	(635,432)	(607,196)
Amount paid - previous years	(50,701)	(49,061)
	<b>56,104</b>	<b>50,701</b>

#### Pension and Medical Aid Deductions

Opening balance	87,994	78,931
Current year payroll deductions and council contributions	1,247,514	1,113,175
Amount paid - current year	(1,147,763)	(1,025,181)
Amount paid - previous years	(87,994)	(78,931)
	<b>99,751</b>	<b>87,994</b>

#### VAT

VAT receivable	143,845	104,381
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VAT output payables and VAT input receivables are shown in note 9.

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

# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Jane DK	286	14	300
Jane DK	1,102	1	1,103
Louw MA	2,261	332	2,593
Mabunda HD	2,146	2	2,148
Mackay G	1,732	604	2,336
Mahlanga JP	659	790	1,449
Matladi JM	-	125	125
Mazibukwana M	116	776	892
Mbatha IN	1,515	2,833	4,348
Motha MS	43	11	54
Ndlela NM	10,419	17,603	28,022
Ntombela-Letsolo P	1,090	1,963	3,053
Nyengeza MP	67	315	382
Sibanyoni LP	449	505	954
Thomo JJ	43	27	70
Tsobane MM	888	1,044	1,932
Valentine ML	73	45	118
Valentine ML	351	335	686
Van Der Merwe MT	3,096	3,101	6,197
Weir PEH	4,006	74,256	78,262
	<b>30,342</b>	<b>104,682</b>	<b>135,024</b>

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# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2012. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2012

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matladi JM	-	125	125
Radebe MT	1,747	17,066	18,813
Doydo P	516	1,656	2,172
Pretorius LR	774	5,518	6,292
Valentine ML	249	579	828
Nkoane MM	58	15,075	15,133
	<b>3,344</b>	<b>40,019</b>	<b>43,363</b>

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# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the 2013 year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2013	Highest outstanding amount > than 90 days	Total (Rands)	Comments
Bittkau R	2,017	12,573	Up to date 30 June
Dube EA	1,924	4,548	Up to date 30 June
Dyodo P	1,893	2,625	Salary deduction
Gudlhuza SP	13,636	19,879	Up to date 30 June
Hlomendlini IN	1,876	6,994	Salary deduction
Jane DK	14	351	Arrears 90+days
Jane DK	2,687	4,681	Arrears 90+days
Louw MA	332	2,594	Arrears 90+days
Mabunda HD	220	2,994	Arrears 90+days
Mackay G	254	2,167	Arrears 90+days
Mahlanga JP	790	1,450	Arrears 90+days
Maimane MA	3	4,553	Up to date 30 June
Mathang RF	530	1,720	Salary deduction
Matladi JM	125	125	Arrears 90+days
Mazibukwana M	458	578	Arrears 90+days
Mbatha IN	789	2,215	Up to date 30 June
Mbatha IN	2,923	4,551	Arrears 90+days
Mncwabe	22,535	34,809	Salary deduction
Motala Z	1,093	3,344	Up to date 30 June
Motha MS	11	54	Arrears 90+days
Mulauzi MS	100	1,009	Up to date 30 June
Ndlela NM	3,747	5,109	Salary deduction
Ndlela NM	15,485	26,018	Arrears 90+days
Nkoane MM	6,486	7,962	Salary deduction
Nkqayi ZE	751	1,953	Arrears 90+days
Ntombela-Letsolo P	1,963	3,052	Arrears 90+days
Nyengeza MP	315	382	Arrears 90+days
Seefort CM	833	8,434	Salary deduction
Sibanyoni LP	215	737	Arrears 90+days
Sigotyana SS	3,286	4,298	Salary deduction
Sithole B	25,708	32,484	Up to date 30 June
Sun YH	1,213	7,520	Up to date 30 June
Thomo JJ	2	60	Arrears 90+days
Tolo IO	6,487	6,987	Up to date 30 June
Tsobane MM	186	1,350	Arrears 90+days
Valentine ML	949	1,146	Arrears 90+days
Valentine ML	78	452	Arrears 90+days
Van Der Merwe MT	3,101	6,197	Arrears 90+days
Weir PEH	73,323	77,359	Arrears 90+days
Zulu MH	3	40	Up to date 30 June
	<b>198,341</b>	<b>305,354</b>	-



# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the 2012 year the following Councillors had arrear accounts outstanding for more than 90 days.

30 June 2012	Highest outstanding amount > 90 days	Total (Rands)	Comments
Bittkau R	6,355	16,675	Arrears 90+days
Cooper JL	7,736	9,241	Arrears 90+days
Dewes DS	5,416	7,479	Salary deduction
Dewes DS	2,874	4,774	Salary deduction
Dewes DS	14,234	23,134	Salary deduction
Dube EA	33	1,794	Arrears 90+days
Dyodo P	3,925	4,290	Salary deduction
Dyodo P	1,656	2,172	Salary deduction
Gcabashe BTS	2,656	3,077	Salary deduction
Gudlhuza SP	30,022	33,363	Arrears 90+days
Gwebu JS	23,238	23,238	Salary deduction
Jane DK	2	1,187	Salary deduction
Kekana L	1,281	1,471	Salary deduction
Kubayi RM	3,509	3,974	Salary deduction
Landis R	14,597	16,901	Salary deduction
Lemao SJ	6,219	8,240	Arrears 90+days
Louw MA	229	1,475	Arrears 90+days
Mafokwane MM	1,176	4,575	Arrears 90+days
Maimane MA	708	7,179	Arrears 90+days
Maimane MA	1,169	2,704	Arrears 90+days
Maisha NP	855	2,191	Arrears 90+days
Maluleke MF	7,049	8,861	Salary deduction
Masemola MP	1,223	2,183	Salary deduction
Masemola MP	922	2,280	Salary deduction
Matladi JM	125	125	Arrears 90+days
Matlou MG	779	2,784	Arrears 90+days
Mbatha IN	455	1,384	Arrears 90+days
Mgcina SE	1,365	2,234	Salary deduction
Mncwabe MH	1,919	8,846	Arrears 90+days
Mnisi MS	10,719	11,763	Salary deduction
Motahane-Mtubu TA	191	246	Arrears 90+days
Motha MS	1,190	1,233	Arrears 90+days
Motsumi LJ	954	1,112	Salary deduction
Mshayisa W	167	225	Arrears 90+days
Mthombeni SB	2,497	6,652	Salary deduction
Mthombeni SB	5,399	8,920	Salary deduction
Mulauzi MS	802	1,637	Arrears 90+days
Ndlela NM	1,728	2,689	Arrears 90+days
Netnow DM	302,496	308,207	Salary deduction
Nhose JL	2,178	2,267	Arrears 90+days
Nkhasi G	12,637	14,794	Arrears 90+days
Nkoane MM	20,724	22,039	Arrears 90+days
Nkqayi ZE	397	1,439	Arrears 90+days
Nodikane NP	2,914	3,460	Arrears 90+days
Pretorius LR	5,518	6,292	Arrears 90+days
Radebe MT	33,066	40,839	Arrears 90+days
Rakosa PM	9,178	10,290	Salary deduction
Raphata AM	2,300	3,312	Arrears 90+days
Ravid M	8,093	9,969	Arrears 90+days
Seefort CM	1,657	7,697	Arrears 90+days
Sethole PE	13,234	14,638	Salary deduction
Sibanyoni LP	73	405	Arrears 90+days
Sikweqa q	4	4	Arrears 90+days
Stewart PS	2,230	8,446	Salary deduction

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Sun YH	17	5,671	Arrears 90+days
Thomo JJ	3	45	Arrears 90+days
Tseleli ET	6,285	6,948	Arrears 90+days
Tshabalala L	859	859	Arrears 90+days
Tshabalala J	3,024	8,579	Arrears 90+days
Tshabalala J	5,126	10,246	Arrears 90+days
Tsobane MM	11,090	12,148	Arrears 90+days
Twala YA	632	1,392	Salary deduction
Valentine ML	182	308	Arrears 90+days
Valentine ML	579	828	Arrears 90+days
Valentine ML	777	1,069	Arrears 90+days
Van Der Merwe MT	3,802	3,802	Salary deduction
Van der Molen AC	119	2,162	Arrears 90+days
Vondo FC	1,848	1,942	Salary deduction
Waja Z	128	4,929	Arrears 90+days
Weir PEH	55,213	58,459	Arrears 90+days
Zondi BD	2,557	12,995	Arrears 90+days
	<b>674,314</b>	<b>828,788</b>	-

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# City of Johannesburg Metropolitan Municipality

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

In terms of Section 36 (2) of the supply chain management regulation.

1st Quarter Deviations.

1. Audit Command Language Maintenance and Support Fee, R49,008.60.  
Reason  
The Audit Command Language (ACL) Software is a tool used by Internal Audit to perform various analytics on sets of data. The software was procured from Messrs CQS Technology Holdings (Pty) Ltd as the official sole distributor of ACL and support of ACL licences in South Africa, hence the request for a deviation.
2. Extension of the Insurance Renewal terms and the contracts of short term insurance fund, R279,780.05.  
Reason  
The existing contract (256/09) with Guardrisk Insurance Company Ltd for short term self-insurance fund contingency policy administration services will expire on 20 September 2012. The Department has commenced with the process for a new tender to be finalised within 3 months hence the request for the extension of the existing contract.
3. Procurement of General Algebraic Modelling system for Department of Economic Development, R102,400.00.  
Reason:  
The Economic Development Department commissioned the construction of a Compatible General Equilibrium (LGE) model that allows for the assessment of the impact of projects, policies and programmes on the economy and its attributes. The General Equilibrium Models require appropriate computer software to run the simulation and GAMPACK and GAMS are commonly used software programmes, however GAMS is popular locally and is friendly to use than GAMPACK. GAMS is sold and licensed only by GAMS Development Corporation in South Africa. This makes GAMS Development Corporation the sole supplier in South Africa for GAMS hence the request for a deviation.
4. Continuation of Technical A192 : Provision of Technical and Operational Services Associated with the Macro Surveillance Closed Circuit Television System. Service Provider Omega Risk Solution R1,509,698.22.  
Reason  
The new contract for the provision of technical and operational services associated with the Macro Surveillance Closed Circuit Television System was considered by the EAC who requested that JRAS audit the process leading to the finalisation of the Bid Evaluation Committee prior to the EAC making the final award. The Deviation to extend the current contract (A192) for a further three months period is to allow JRAS to finalise its due diligence report.
5. Adjustment of the Contract Amount for Emma Flats Box Curlert. Service Provider Nesandla Civils Pty (Ltd), R4,590,266.39.  
Reason  
The original contract for Emma Flats (308/11) was awarded to Nesandla Civils on the 18th July 2011 for R14,136,000.00. The current contract progress to date is 80% completed and the contractor is 20% behind due to pipe jacking activity. Prior to the commencement of the contract and even during the contract no reasonable prospects of locating the granite rock layer existed at the time of conducting geo technical investigations. The contract price needs to be adjusted in order to deal with this unforeseen circumstances hence the deviation to adjust the price.
6. Extension of the existing Lease Agreement for a further three years relating to office accommodation at Block L, 400 16th Road, Central Park, Midrand, Region A, Service Provider, Growthpoint Properties Limited. 1st Year R285,853.09, 2nd Year R314,141.39, 3rd Year R345,555.53.  
Reason  
The Housing Department Region A offices are located at Block L, 400 16th Road Central Park, Midrand, the public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.

# City of Johannesburg Metropolitan Municipality

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

7. Approval of the Payment of the service provider : Tim Dollar Cleaning Service, R30,000.00.  
Reason  
Stakeholder Relationship Management utilised an expired contract. This contract expired in March 2012 but the Department continued to utilise the service provider until 30 April 2012, as these services could not be discontinued as it was going to pose a health risk to Ward Councillors Offices. Hence the ratification for approval of payment.
8. Approval for Payment of the service provider : Yebo Shine (Pty) Ltd, R87,001.12.  
Reason  
Stakeholder Relationship Management continued to utilise the services of Yebo Shine (Pty) Ltd for a period of 4 months (January – April) from the contract which expired in 31 December 2011. This service could not be discontinued as it was going to pose a health risk to Ward Councillor Offices. Hence the ratification for approval of payment.
9. Utilisation of services of Steiner Hygiene Services (Pty) Ltd. R132,577.97.  
Reason  
The user department engaged the service provider under contract 176/08 approved by the City, however, the contract expired in October 2011 and the user department continued to utilise the services of Steiner Hygiene from the period December 2011 to June 2012 as discontinuing these services would have posed a serious health risk. Hence the ratification for approval of payment.
10. Service Provider Mailtronic Direct Marketing CC. R500,000.00.  
Reason  
The Section 49 Notification from the supplementary valuation Roll 9 needed as a matter of urgency to be posted with the monthly statements, hence Mailtronic Direct Media CC, the current service provider for the posting of monthly statements was requested to include in those statements the Section 49 notification. Unfortunately due to the urgent nature of the requirement no prior approval was obtained to secure the utilisation of this contract to include the notices, hence the ratification approval.
11. Approval of payment : Relocation of the Alexandra Renewal Project Office. Service Provider A1 Office Movers, R91,370.59.  
Reason  
Development Planning and Urban Management, Alexandra Renewal Project Department has been leasing the building Pendar House, for the period 01 September 2008 to 30 June 2012. The lease was terminated. Quotations for the furniture removal service providers were sourced from the three service providers on the CoJ database, as opposed to being advertised on the Notice Board for seven days as the value exceeds R30,000.00. Due to Financial year end processes it was impossible to follow normal procurement procedures on placing the requirement for the office move on the board for a period of seven days. Hence the ratification for approval of payment.
12. Condonation and Ratification with long term resolution, Service Provider Multilingua Translation Interpretation Services, R24,888.00. Service Provider, Questek Customer Care R22,029.77.  
Reason  
Multilingua Translation Interpretation Services is the sole supplier for translation of languages. Questek is the sole supplier for PA Complex and PA Systems. Hence the ratification for approval of payment.
13. Ratification of activities in relation to the design layout, proof-reading, photography, translating and printing of the 2013/16 and the 2012/15 Medium Term Budget. Service Provider Cut-to-Black Media, R604,923.70.  
Reason  
Quotations were solicited from Proposal Nr A290B for the IDP and Budget Books for 2012. The award was made to Cut-to-Black for R1,330,380.53 on the 16th March 2012. However, additional tasks were given to Cut-to-Black for an additional amount of R604,923.70. The additional requirements could not be sourced through competitive bidding processes because they are linked to the original services/scope of work awarded to Cut-to-Black. As these services were urgently required, no authorisation was solicited prior to engagement of the service provider, hence the request for the ratification.
14. Payment to Private Security Companies in terms of Contract 270/09 for September and October 2012. Service Provider, Panel of eleven Private Security Companies, R29,103,000.00.  
Reason  
The increase in the value of the contract by R29,103,000.00 is due to the pay out of PSIRA Statutory increases to the eleven Private Security Companies for the period of September and October 2012.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

15. Office Accommodation 222 Smit Street and Parking Bay, Service Provider Redefined Properties Limited, R2,702,278.00 and Service Provider Interpark R221,616.00.  
Reason  
The request for a Deviation to extend the Lease at 222 Smit Street for the office of the CIO is due to the following reasons:  
Critical IT infrastructure has been installed in this building.  
The SAP Competency Unit is housed in the building.  
For the above reasons and the cost associated with the removal cost, loss of productivity and the fact that the building is within close proximity to Metro Centre, it makes business sense and cost efficiency to renew the current lease, hence the request for the deviation.
16. Extension of the SAP ERP Support, SAP End User and IT Functional Training provided by EOH, UCS and BCX respectively. R13,280,000.00.  
Reason  
The new tender A472 was advertised and the Bid Evaluation Committee presented its report to the Bid Adjudication Committee on the 27th July 2012. The Bid Adjudication Committee raised certain concerns that were to be considered by the BEC. However, the current arrangements with EOH will expire on 31st July 2012 and hence the request for a deviation to extend the contract until 31st August 2012 to allow the finalisation of the consideration of contract A472.
17. Payment of Mailtronics, R331,668.24.  
Reason  
R&CRM needed to inform and educate ratepayers on changes, procedures and policies that impact their municipal accounts i.e annual tariff increase. Having no contract in place, the R&CRM Department made use of Mailtronics who have a contract with the City to book, place and ensure design of the tariff information for placement in 19 newspapers. On invoicing the Department was informed that the contract only relates to marketing and communication with regard to the printing and posting of statements. Hence the ratification for the approval of payment.
18. Payment of Nenongwe Building Construction and All Cleaning Services, R265,050.00.  
Reason  
Jabulani Fire Station was revamped at the cost of R1,402,193.00 excluding VAT. During the renovations it was discovered that the water table was much higher and the soil was spongy which made it impossible to compact to the required standards. An engineer was engaged to replace the spongy soil with imported G5 and G7 soil at the cost of R265,050.00 excluding vat, hence the request for the ratification as the scope of work was extended without obtaining the necessary approval.
19. Extension of the appointment of KPMG to second an Acting Group CFO on temporary basis for a period of six (6) months from 1 October 2012 to 31 March 2013, R4,000,000.00.  
Reason  
On 20 December 2011 KPMG was appointed to second an Acting Group CFO on a temporary basis for a period of nine months at a cost of R5,859,000.00. Subsequent to the appointment of KPMG the City commenced with the recruitment process of an appropriate Group CFO, however no suitable candidate was found, hence the request for a deviation to extend the original engagement of KPMG by six months.
20. Extension of Paper Ticketing, Service Provider, Reakgona Inspectorate (Pty) Ltd, R528,000.00, Tony'sTime & Access R50,000.00, TMT Service & Supplies (Pty) Ltd, R1,130,000.00, Ace Wholesalers R864,000.00, G4S Cash (Pty) Ltd R490,000.00.  
Reason  
It was anticipated that the paper ticketing system would be replaced by the AFC system on 1 November 2012. Due to circumstances beyond the control of Rea Vaya, the commencement of the implementation of the AFC system is presently scheduled for 26 November 2012, with an introductory transition period when the two systems will run together. Hence the ratification for the approval of payment.
21. Appointment of Rea Vaya Strategic Support, Service Provider, Dirk Jacques van Zijl, R1,200.00 per hour.  
Reason  
The institutional review process of the City resulted in significant changes that were not anticipated, such as the closure of the Metro Trading Company (MTC) necessitating the incorporation of the entire station management function into the Rea Vaya business unit and this had required a significant number of additional hours from Van Zijl. Hence the request for the approval for the appointment of Mr. D.J (Jacques) van Zijl as a strategic support resource for the Rea Vaya BRT and Scheduled Services Agency.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

22. Acquisition of services from Events Galore Event Planning & Management Company for the Special Whippet Political Caucus Meeting. Service Provider, Events Galore, R66,883.00.

Reason

The Department solicited three quotes from the service providers as required by Supply Chain procedures.

Events Galore was recommended since it was the lowest. The services were requested on an emergency basis hence the requirements were not advertised on the Notice Board nor signed off prior to engagement of the service provider by the delegated authority.

2nd Quarter Deviations.

23. Increase of Current Budget to allow for the Retention of SAHA's AFC Consulting Services to Finalise the Implementation of the Rea Vaya Phase 1A AFC system, R645,810.00.

Reason

Due to mainly the ministerial Automated Fare Collection ("AFC") System Regulations, having necessitated the complete renegotiation of the contract with the City's AFC "Supply & Installation" contractor, the City's AFC Consultant's contract once again had to be further extended and provision made for the extra costs and fees occasioned by this further delay and all the additional work that had to be done in the process.

Advisory

24. Renewal of Bona Electronic Solutions Capital Contracts. Service Provider Bona Electronic Solutions, R10,999,689.78 and R10,121,086.96.

Reason

The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A, and was paid only portions of the total contract prices. Both its contracts were renewed without any additional budget in order to enable it to continue with its work until completion.

25. Extension of Xuma Technologies Capital Contracts, Service Provider Xuma Technologies, R178,569,395.13.

Reason

The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A and was paid only a portion of the contract price. The contract was extended without any additional budget in order to enable it to continue with its work until completion.

26. Renewal of Questek Transit Technologies Capital Contracts, R113,888,137.90.

Reason

The contractor could not commence work on Rea Vaya Phase 1B due to various delays beyond its control with the finalisation of Rea Vaya Phase 1A, and was paid only a portion of the contract price. Its contract was extended without any additional budget in order to enable it to continue with its work until completion.

27. Extension of Paper Ticketing Service Level Agreement, Service Provider TMT Services & Supplies (Pty) Ltd R302,841.00, Reakgona Inspectorate (Pty) Ltd R176,000.00, Tony's Time & Access R21,347.60, Ace Wholesalers R649,500.00, G4S Cash (Pty) Ltd R350,000.00.

Reason

Due to the delay in the funding of the bank account required by ABSA to load pre-paid fares on the new EMV smartcards and the fact of the integration of the AFC and APTM systems.

28. Lease of Driehoek Radio High Site from Eskom Enterprises (Pty) Ltd, R77,280.67.

Reason

This ICT high site is critical for continued uninterrupted services to COJ area and it is the only service provider for a high site in terms of specific and ICT requirements.

29. Renewal of Lease Agreements for rented Library Facilities, Service Provider Eris Property Group (Pty) Ltd, R145,245.64, Blend Property Group, R578,880.00, Redefine Properties Limited, R478,667.40, City Property Administration, R104,494.20, Heartland Leasing (Pty) Ltd, R86,701.56, Basfour 2296, R347,328.00.

Reason

The normal procurement processes were dispensed with on the basis that the procurement in question is regarded as an exceptional case where it is impractical to follow the normal procurement processes. The library facilities within the communities will be unhappy, and costs will be too much. These libraries have been established in these communities for a very long time and moving or relocating them might disadvantage the communities and will be costly.

# City of Johannesburg Metropolitan Municipality

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

30. Appointment of a Service Provider for use of the Private Emergency Medical Services at Primary Health Care Facilities to Prevent Loss of Life, Service Provider Netcare, R6,197.17.  
Reason  
The Department requested the services of the private medical emergency services at Local Government Primary Health Care (PHC) facilities in the event of non-response by Provincial Ambulances in life threatening situations and unnecessary possible medico-legal implications for the Health Department in the City.
31. Renewal/Extension of Lease Agreement, Alphen Square North Randjespark, Midrand, Service Provider, JT Ross Property Services (Pty) Ltd, R4,957,019.10, R761,624.28 and R198,076.32.  
Reason  
The Health Department Region A offices are located at Unit 6, 7 and 8, Alphen Square North Randjespark, Midrand. The public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.
32. Utilisation of Services of Steiner Hygiene Services (Pty) Ltd, R3,845.99.  
Reason  
The user department engaged the service provider under contract 176/08 which was approved by the City, however, the contract expired in October 2011 and the user department continued to utilise the services of Steiner Hygiene from the period March 2012 to June 2012 as discontinuing these services would have posed a serious health risk, hence the ratification for approval of payment.
33. Undertaking an Educational Trip and Approval to re-imburse the University of Witwatersrand for money paid, R15,648.00.  
Reason  
Ms. P Bafo and Mr. Ramashala who are on subsidised education from the City, are currently studying towards a Masters degree in Housing and Development Planning through the University of Witwatersrand. As part of their studies they went on a compulsory field trip to Nairobi from 11 to 15 September 2012, where they participated in a symposium and they presented a paper relevant to their observation as part of an academic assessment. Hence the ratification for approval of payment.
34. Approval of payment of the Service Provider SOS Protect Sure National Division, R1,400,000.00.  
Reason  
Installation of CCTV monitoring systems at Midrand and Randburg to minimise the theft, fraud and corruption at the cash sites and testing stations.
35. Approval of payment of the Service Provider Gijima AST Holdings (Pty) Ltd, R40,757.28.  
Reason  
Contract No. 280/10 exists between Gijima AST Holdings (Pty) Ltd and the City of Johannesburg for upgrade, maintenance and support for an existing Phillips telephony system installed at 66 Jorissen Street linked to 61 Jorissen Street via VOIP. The contract covers the entire telephony system and is therefore applicable for both buildings. Throughout the first year of the contract, no reconciliation of expenditure was done. On submission of the invoice, a reconciliation was done and it was established that the contract amount has been exceeded and no payment was effected.
36. Approval for payment of the service provider Munghwena Trading Projects, R102,600.00.  
Reason  
The absence of a contract and in compliance to Occupational Health and Safety standards, Group Finance requested Mungwena Trading Projects who was supplying the services from August 2012 to October 2012 to continue with the provision of hygiene services at 28 Harrison (Technical Call Centre). This service could not be discontinued as this was going pose a health risk to Call Centre staff and management. A request for quotations was placed on the board between the 17 October 2012 to 24 October 2012. Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 and December 2012 could not be paid for the reasons stipulated above.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

37. Approval for payment of the service provider Bonamini Trading Enterprise, R117,800.00.

Reason

In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Bonamini Trading Enterprise who was supplying the services from August 2012 to October 2012 to continue with the provision of cleaning services at 28 Harrison (Technical call centre). This service could not be discontinued as this was going pose a health risk to call centre staff and management. A request for quotations was placed on quotation board on 17 October 2012 and closed on 24 October 2012 (copies attached). Approval of the recommended supplier has taken longer and this has compelled the officials to continue with current service provider. Invoices for the months of November 2012 – December 2012 cannot be paid for reasons stipulated above.

38. Approval for payment of the service provider Manenzhe Hygiene Solutions, R41,040.00.

Reason

Contract number 144/08 for a panel of contractors to supply cleaning services to the City of Johannesburg expired in March 2012. In the absence of a contract and in compliance to Occupational Health and Safety standards Group Finance requested Manenzhe Hygiene Solutions to continue with the provision of cleaning services at 28 Harrison. This service could not be discontinued as this was going pose a health risk to call centre staff and management. Invoices for the month of July 2012 cannot be paid for reasons stipulated above.

#### 3rd Quarter Deviations

39. Appointment of Two Tone Global Agency to execute AFCON 2013 Communication and Marketing Campaign. Service Provider, Two Tone Global Agency, R2,808,435.34.

Reason

The Department engaged the services of a service provider without following normal procurement processes in terms of utilisation of Panels as per Practice Note 004/2011 and the SSCM representatives were not engaged.

40. Ratification for exceeding the Value of Contract 287/10, Electronic Automate Clearing Services, Service Provider, Mindworx Consulting (Pty) Ltd, R109,982.07.

Reason

A tender No. 287/10 was advertised to a service provider to render services for the Electronic Automated Clearing services and the simplification of the payroll activities and Midworx Consulting (Pty) Ltd was appointed for the period of thirty six (36) months commencing from the date of acceptance 13 August 2010. The award was based on the contract not exceeding R1,296,000.00 for the duration of the contract.

41. Appointment of Universal Knowledge Software to provide the Symphony Library System. Service provider Universal Knowledge Software (UKS), R5,680,000.00.

Reason

The provision and support of the Library System and that of a new contract for the supply and maintenance of the Library System for a period of thirty six (36) months, starting on 01 February 2013.

42. Delivery and installation of surveillance DVR System, Security Camera, Alarm Connectivity and monitoring of the Civic centre, Florida Park. SOS Service provider, R67,727.40.

Reason

Installation of surveillance DVR System, Security Camera, Alarm Connectivity in the walk-in centre in Roodepoort.

43. The appointment of XON to provide anti-virus protection software security support licenses. XON service provider, R1,413,146.70.

Reason

Security software support services for a period of twelve (12) months from 01 January 2013 until 31 December 2013.

44. Appointment of SKS Business Solution CC for minor works. SKS Business Solution CC service provider, R211,696.69.

Reason

Minor works at the Bellavista Clinic (Region F).



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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

45. Actions of the officials of revenue shared services and approval of a deviation from the official procurement processes by the City Manager and the extension of scope of work on the project undertaken by Ernest & Young service provider, R1,093,906.38.  
Reason  
The increase in value of contract awarded to Ernest & Young to assist Revenue Shared Services Centre (RSSC) to perform additional imaging and analyses of computers in order to complete the cheque/cash management process review and forensic investigation services undertaken by the Department.
46. Ratification for exceeding the value of the contract A491, Acquisition Management Mogale Solution Providers (Pty) Ltd service provider, R214,132.36.  
Reason  
Appointed to facilitate the process of recruiting candidates for seven positions on the second reporting level, as an additional amount for the second headhunting process to appoint the Executive Director : Environment and Infrastructure Services.
47. Relicensing and support for the heritage collections database and ratification of actions of Arts and Culture in relation to utilising Glomas Africa service provider,  
1. Ratification R144,177.16,  
2.Deviation R459,635.06.  
Reason  
Approval payment from 01 November 2011 to 31 October 2012.  
Reason  
Sole Supplier of licenses and support for the STAR databases used for the City for a period of twenty four (24) months from November 2012 to 31 October 2014.
48. Expenditure incurred on EOH Contract No. A472. EOH Resources service provider, R11,935,418.10.  
Reason  
The Revenue Shared Service requested the assistance of EOH Resources in the clearing of error logs for Billing, invoicing and the Print Workbench. These extra resources were not included in the initial budget for 1st line and 2nd SAP Support. The huge volume of error was impacting on Revenue performance. The contract amount was reached between the OCIO and Revenue Department and though Revenue had sufficient estimate provision to accrue expenditure in the previous financial year, the department could not release the payment as approval had not been sought to increase the contract amount.
49. Appointment of Steiner Hygiene Services R173,056.56.  
Reason  
Utilising the services of Steiner Hygiene Services for the period of four (4) months from 01 February 2013 to 31 May 2013.
50. Appointment of Agonamathata Air Conditions and Projects as service provider, R190,596.60.  
Reason  
Agonamathata Air Conditions and Projects for a period of six (6) months from 01 February 2013 to 31 July 2013, and that the requirement for a MBD 4 form in the case of Steiner Hygiene Services as well as the requirement of a signature in the case of Agonamathata Air Conditions and Projects is waived.
51. Payment to Microsoft for the Third Year of Enterprise Agreement and the True up fees as Sole Provider. Microsoft Corporation service provider, R3,389,928.97 and R2,445,300.00.  
Reason  
The GH ICT & IM be authorised to pay for the annual license fees and additional products and services acquired through the True-up process.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

52. The use of Microsoft as Sole Provider in terms of the conceptual design of Migration from the Lotus domino to the Microsoft exchange server. Microsoft Corporation service provider, R1,035,375.00.  
Reason  
Conceptual Design of a messaging and calendaring platform based on the Microsoft exchange server  
and the Conceptual Migration design to facilitate the migration of the existing Lotus notes platform to exchange server  
2013.

#### 4th Quarter Deviations

53. Request for payment to Bella Recruitment Team for the service rendered to the Private Office of the Executive Mayor. R138,144.00.  
Reason  
The City pays Bella Recruitment Team for the services rendered for paying temporary employment of Tshepiso Mbedzi over the period of ten (10) months.

54. Extension of contract for the expanded social package (ESP) system with resultant finance. Service provider Resultant Finance, R288,728.00.  
Reason  
The extension of contract approved for the period of six (6) months.

55. Ended the appointment of KPMG to second an Acting Group CFO on a temporary basis for a period of one month ending on the 30 April 2013. Service provider KPMG, R0.  
Reason  
The extension of the KPMG contract regarding the above post will not result in any cost implication to the City.

56. Motivation for payment to service provider Lufhereng IT, R35,595.00.  
Reason  
To continue utilizing the services of Mogale Information Technologies (Pty) LTD for services rendered in June, July, August, September and October 2012. No further payment regarding Lufhereng IT will be permitted.

57. Extension of lease to accommodate the department of Economic Development at Jorrisen Place. Service provider LLP, R716,816.01.  
Reason  
The DED continues with a month-month lease from the 1st February to 31st August 2013 lease contract with LLP, subject to changes in utility consumption and other recoveries and the 9% annual escalation rate as per the lease agreement.

58. The insurance renewal terms and the contracts of short term insurance fund/contingency policy administration services due to unforeseen delays for the appointment of insurance broker/s. Service provider Guardrisk Insurance Company Ltd, R48,000,000.00.  
Reason  
The Executive Director : Group Assurance be authorised to finalise and sign-off the addendum to the existing service level agreement, to effect the payment to Guardrisk in accordance with this approval.

59. Request for Payment to the Cleaning Services contract. Beef, General and Civil Construction service provider, R49,950.00.  
Reason  
Resulting in the continued use of a service provider without proper authorization.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

60. Extension of lease agreement to accommodate ward councillors and the legislature at the ACA Krans Building Region B, R958,431.09.  
Reason  
Failure to include the Office of the Speaker into the new lease agreement and continuing to occupy the said premises without the approved lease agreement with the Landlord for the period of 01 August 2012 to 30 April 2013.
61. Extension of the service level agreement. Service provider BNP Capital and Goba (Pty) Ltd, R4,189,363.20.  
Reason  
The contract was extended for the period of three (3) months or until the budget is exhausted.
62. Appointment of the Organ of State. Service provider CSIR Meraka Institute, R275,000.00.  
Reason  
Appointment approved to undertake the development of the CoJ Smart City Strategic and Implementation plan.
63. Extension of the service Level Agreement. Service provider, Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
The Contract was extended for a period of Six (6) Months until 31 October 2013.
64. Supply and installation of the workstations. Service provider Badiri ba Setshaba business enterprise, R61,490.09.  
Reason  
Enable payment for approval by the City Manager.
65. Extension of the service level agreement. Service provider Exponent (Pty) Ltd, R1,014,000.00.  
Reason  
Enable payment for approval for six months until 31 October 2013.
66. Extension of the insurance renewal terms and the contracts of motor and non-motor insurance brokers due to the delays for the appointment of insurance brokers. Service provider Marsh Risk and Indwe Risk services, R0.  
Reason  
The extension of existing contracts for motor Insurance Brokers for the period of seven (7) months to allow for the transition and handover to the winning bidder.
67. Request for payment of Office Furniture and Equipment suppliers, Service provider, Imvelo Office Profile CC R873,231.81, Mukulu Library Furniture Manufactures, R222,452.76, Akanani Office Furniture Manufacturers, R556,291.50, Thuthuka Paper (Pty) Ltd R533,504.36.  
Reason  
Payment for the procurement of office furniture and equipment from Imvelo Office Profile CC, Mukulu Library Furniture Manufactures, Akanani Office Furniture Manufacturers, Thuthuka Paper (Pty) Ltd and Instant Office Furniture CC.
68. Request for payment to Insearch recruitment projects for a temporary driver/messenger. Service provider Insearch recruitment project, R120,000.00.  
Reason  
Authorises payment for the Insearch Recruitment Projects service rendered from 01 July 2012 to June 2013.
69. Appointment of consultants Mailtronics Direct Marketing CC, R149,880.00.  
Reason  
Enable payment for approval to Mailtronics Direct Marketing CC.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

70. Procurement for the Rand Easter show stand builder. Garona Communications and Projects service provider. R70,000.00.  
Reason  
Payment to Garona Communications and Projects for the Rand Easter show stand builder.
71. Appointment of consultants. Service provider Garona Communications and Projects, R80,000.00.  
Reason  
Payment to Garona Communication and Projects.
72. Appointment of consultants. Service provider, Cut to Black Media, R196,472.16.  
Reason  
Payment to Cut to Black Media.
73. Expenditure incurred for the appointment of temporary resources. Service provider NT Ngidi Consulting (Pty) Ltd, R153,736.72.  
Reason  
Payment to NT Ngidi Consulting (Pty) Ltd.
74. Approval of short term employment contracts with recruitment agencies for Administrative assistance. Service providers, Mandisa Human Capital, Vogue HR Services and Innovations Recruitment, R363,400.53.  
Reason  
Mandisa Human Capital, Vogue HR Services, Innovations Recruitment specialist for the administrative resources from 01 July 2012 to May 2013.
75. Service provider, Sixpence Construction and Projects, R89,608.56.  
Reason  
The City to authorise the payment for the service provider for repairs and maintenance of six customer service centres in Region G.
76. The ICT and other departments pertaining to expenditure incurred on contract no. A387 for exceeding the budget, Service providers, Dimension Data including 3rd Parties, R22,401,411.00, TSS including 3rd Parties R4,672,666.00 and Accenture R1,800,000.00.  
Reason  
The City Manager approved for the use of the current A387 contract to provide services in their respectful functional areas leading to the contract award limit value being exceeded.