'FOR THE COMMUNITY'

INDEX

PREFACE

Legislative

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that "

Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129. The purpose of an annual report is-

To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity

The annual report of the municipality must include-

- ✓ *The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
- ✓ *The Auditor General report in terms of section 126 (3) on those financial statements.*
- ✓ *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
- ✓ *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*

- ✓ *An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
- ✓ *An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality's approved budget for the relevant financial year;*
- ✓ *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*
- ✓ *Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
- ✓ *Any information as determined by the municipality;*
- ✓ *Any recommendations of the municipality's audit committee; and*
- ✓ *Any other information as may be prescribed.*
- ✓ *The annual report of a municipal entity must include-*
- ✓ *The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
- ✓ *The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
- ✓ *An assessment by the entity's accounting officer of any arrears on those financial statements;*
- ✓ *An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
- ✓ *Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
- ✓ *Any information as determined by the entity or its parent municipality;*
- ✓ *Any recommendations of the audit committee of the entity or its parent municipality; and*
- ✓ *Any other information as may be prescribed."*

GLOSSARY OF TERMS

AG	-	Auditor-General
BEE	-	Black Economic Empowerment
COGTA	-	Co-operative Governance and Traditional Affairs
DBSA	-	Development Bank of South Africa
DAERD	-	Department of Agriculture, Environmental Affairs and Rural Development
DME	-	Department of Minerals and Energy
DOE	-	Department of Education
DOH	-	Department of Housing
DORA	-	Division of Revenue Act
DOT	-	Department of Transport
DWAF	-	Department of Water Affairs and Forestry
EPWP	-	Extended Public Works Programme
GIS	-	Geographical Information System
HIV/AIDS	-	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	-	Information Communication Technology *also referred to as IT*
IDP	-	Integrated Development Plan
IDP RF	-	Integrated Development Plan Representative Forum
IWMP	-	Integrated Waste Management Plan
KPI	-	Key Performance Indicator
KZN	-	KwaZulu-Natal
LED	-	Local Economic Development
LRAD	-	Land Redistribution for Agricultural Development
MEC	-	Member of the Executive Council (Local Government and Traditional Affairs)
MFMA	-	Municipal Finance Management Act No. 56 of 2003
MIG	-	Municipal Infrastructure Grant
MPAC	-	Municipal Public Accounts Committee

MTCF	-	Medium-term Capital Framework
MTEF	-	Medium-Term Expenditure Framework
MTSF	-	Medium-Term Strategic Framework
NHBRC	-	National Home Builders Registration Council
NSDP	-	National Spatial Development Perspective
NWMS	-	National Waste Management Strategy
PSEDS	-	Provincial Spatial Economic Development Strategies
PGDS	-	Provincial Growth and Development Strategy
PMS	-	Performance Management System
PIMS	-	Planning, Implementation and Management System
PMS	-	Performance Management System
PPP	-	Public-Private Partnership
RDP	-	Reconstruction and Development Programme
RSC	-	Regional Service Centre
SCOPA	-	Standing Committee on Public Accounts
SDBIP	-	Service Delivery and Budget Implementation Plan
SDP	-	Site Development Plan
SCM	-	Supply Chain Management
SMME	-	Small, Medium and Micro Enterprise
TA	-	Tribal Authority
WSB	-	Water Services Backlog

CHAPTER 1 – MAYOR'S FOREWORD AND EXUCUTIVE SUMMARY

Foreword: By Her Worship the Mayor Cllr T Maphumulo

Section 127 (2) of the Local Government: Municipal Finance Management Act, 56 of 2004 (MFMA), the Mayor of a Municipality must, within seven months after the end of the financial year, table in the Municipal Council the Annual Report of the Municipality and of any Municipal Entity under the Municipality's sole or shared control.

Our single biggest concern remains the provision of basic housing and allied services to the poorest of our communities, however we are persistence in this matter will yield results very shortly. The year under review has been a challenging one, and in presenting this report, we acknowledge progress made during the 2012/2013 financial year as well as the challenges that lie ahead.

I would like to express my sincere gratitude to all Councillors, officials, the communities of Mkhambathini Local Municipality and stakeholders for their dedication, support and co-operation, which enabled the institution to record service delivery progress during the year under review.

Let us work together as a team to address the challenges ahead of us, by working together we can do More.

CLLR T.E. Maphumulo

HER WORSHIP THE MAYOR

MUNICIPAL MANAGERS OVERVIEW

As the Accounting Officer, I am privileged to have this opportunity in presenting the Annual Report of Mkhambathini Local Municipality for the 2012/2013 financial year.

This Annual Report represents a record of the institution's service delivery efforts and initiatives over the review period, in order to improve overall efficiency and effectiveness in municipal activities.

The institution is committed to render quality services to the communities of Mkhambathini Local Municipality and to expedite delivery and broaden access to the basic services previously denied them. These services are rendered in terms of the Municipality's key strategic planning tool, namely its Integrated Development Plan (IDP), which ensures close co-ordination and integration between projects, programmes, activities and resources, both internally (between clusters and directorates) and externally (with other spheres of government). The IDP ultimately enhances integrated service delivery and development, and promotes sustainable integrated communities, providing a full basket of services.

And therefore this report will give our community a substantial insight into the workings of Mkhambathini Local Municipality.

Lastly, it is also necessary to mention that we have tried to adhere to the principles of good governance as we believe that good governance is integral to economic growth, the eradication of poverty and for the sustainable development of the community we serve. We table this report in the spirit of Batho Pele, putting our people and communities first, and this report bears our testimony to our commitment for setting platforms to achieving more desired outcomes for the years ahead.

I would like to record my sincere appreciation for the efforts and hard work of the Mayor, Members of the Executive Committee, Councillors and Staff of Mkhambathini Local Municipality, without which the service delivery progress reported in this Annual Report would not have been possible. Their commitment and dedication, in the face of constraints and challenges, to serving the communities of Mkhambathini Local Municipality is commendable.

MR D A PILLAY
Municipal Manager

VISION

By the Year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for it entire people in areas of basic services, social, economic and environmental development.

MISSION STATEMENT

Mkhambathini Municipality commits itself to the following

- Upholding our leadership vision;
- Working with integrity in an accountable manner towards the upliftment of the community;
- Protecting and enhancing the interest of our clients at all times
- Consistently performing our function with transparency honesty and dedication in dealing with clients;
- Responding promptly to the needs of our clients;
- Subscribing to the Batho Pele principles

Development Goals

The following long term development goals have been identified based on the below performance areas:

- To build and efficient and sustainable local government structure;
- To promote an equitable access to infrastructure and basic services;
- To create a condition conducive to economic development;

- To promote sustainable social and economic development;
- To create a spatial framework that facilitate an equitable distribution of development;
- To promote sustainable and integrated land use pattern.

MUNICIPAL FUNCTIONS, MANDATE, POPULATION AND ENVIRONMENTAL OVERVIEW

MUNICIPAL FUNCTIONS

In terms of section 84 of the Local Government: Municipal Structures Act No. 117 of 1998, the Mkhambathini Local Municipality has the following powers and functions:

- Integrated Development Planning;
- Solid waste disposal;
- Regulation of passenger transport services;
- The establishment, conduct and control of fresh produce markets and abattoirs;
- The establishment, conduct and control of cemeteries;
- Promotion of local tourism for the area;
- The imposition and collection of taxes, levies and duties as related to the above functions;
- Municipal roads;
- Municipal public works relating to any of the above functions.

MANDATES

The legislative mandates exercised by the municipality in terms of the local government legislative framework are as follows:

- Local Government: Municipal Structures Act, 117 of 1998;
- Local Government: Municipal Systems Act, 32 of 2000;
- Local Government: Municipal Finance Management Act, 56 of 2003;
- Local Government: Municipal Planning and Performance Management Regulation, 2001;
- Local Government: Municipal Property Rates Act, 6 of 2004;
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager, 2006;
- Local Government: Development Facilitation Act;
- Local Government: Municipal Demarcation Act, 27 of 2008;
- Disaster Management Act, 57 of 2002;
- Intergovernmental Relations Framework Act, 13 of 2005;
- Remuneration of Public Office Bearers Act, 20 of 1998;
- Organised Local Government Act, 52 of 1997;

Supporting mandates

- The Constitution of the Republic of South Africa, 1996;
- White Paper on Transforming Public Service Delivery (Batho Pele), 1997
- White Paper on Service Delivery.

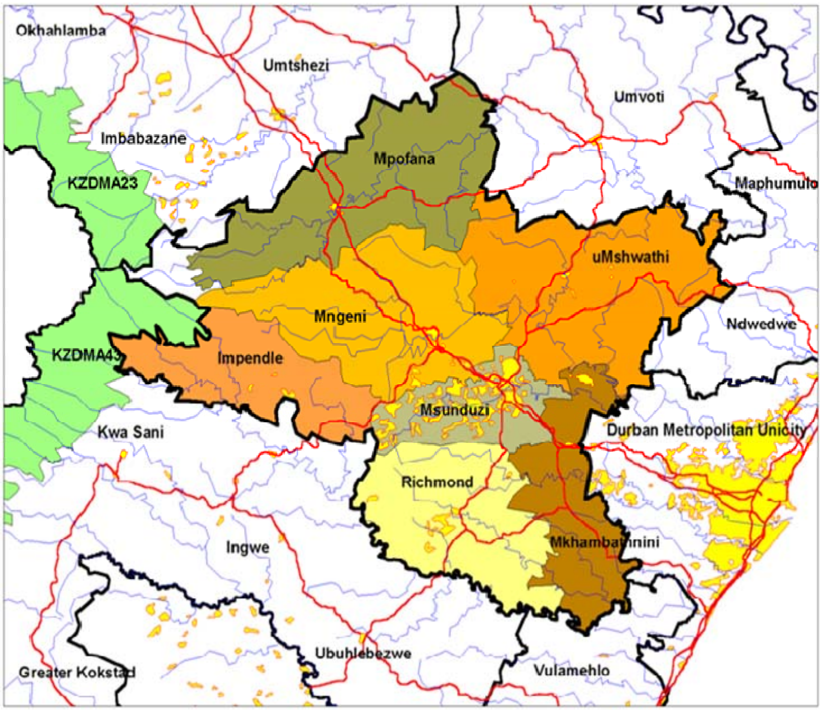
POPULATION AND DEMOGRAPHICS

GEOGRAPHIC AND DEMOGRAPHIC PROFILE

Mkhambathini Local Municipality was established in terms of Section 155(1) (b) of the Constitution of the Republic of South Africa (1996) following the 2000 local government elections. It is one of the seven (7) category B municipalities comprising UMgungundlovu District Municipality. It shares municipal executive and legislative authority with UMgungundovu District Municipality.

Mkhambathini Local Municipality is situated along the southern-eastern periphery of UMgungundlovu District Municipality and adjoins Richmond and Msunduzi Local Municipalities to the west, uMshwati Local Municipality to the north and Durban/eThekwini Metropolitan area to the east, the Camperdown area is only 30 minutes away from Durban's international airport and Africa's busiest harbour.

Agricultural production centres on vegetables grown for local and hinterland fresh produce markets, maize and sugar cane (processed through a mill at Eston). The area features the second highest concentration of poultry producers in the world, supported by a network of service suppliers, as well as pig and beef farming. Tourism is centred on African experiences, with attractions such as the Tala Game Reserve, Nagle Dam and Umgeni Valley.



uMgungundlovu District is comprised of seven local municipal entities as reflected in the map. These include:

- KZ221 – Umshwati
- KZ222 – Umgeni
- KZ223 – Mpofana
- KZ224 – Impendle
- KZ225 – Umsunduzi
- KZ226 – Mkhambathini
- KZ227 – Richmond

POPULATION

The total size of Mkhambathini Local Municipality population is estimated at 63 142 people. Further details pertaining to the population are reflected in the tables below:

Ward 1	12889
Ward 2	9213
Ward 3	6785
Ward 4	8720
Ward 5	10859
Ward 6	6378
Ward 7	8298

In terms of 2011 Census Survey, Mkhambathini Municipality has a total of 63 142 people. Out of this number, statistics show that 31 396 voters were registered as at June 2012 (IEC Statistics). These can be broken down as follows:

A. Ward 1:5715 Voters

B. Ward 2:5321 Voters

C. Ward 3:3563 Voters

D. Ward 4:4821 Voters

E. Ward 5: 3743 Voters

F. Ward 6: 4047 Voters

G Ward 7: 4186 Voters

Total Population within uMgungundlovu District

Municipality	Population in number	Population in %
DC22 uMgungundlovu	1 017 763	9.6% of province
KZN221 Umshwati	106 374	11% of district
KZN225 Msunduzi	618 536	61% of district
KZN222 uMngeni	92 710	9% of district
KZN223 Mpofana	38 103	4% of district
KZN224 Impendle	33 105	3% of district
KZN226 Mkhambathini	63 142	6% of district
KZN227 Richmond	65 793	5% of district

Source*: Census 2011*

Population Grouping

Population Groups	Black African %	Coloured %	Indian/Asian %	White %	Total
Census 2011	94.8%	0.3%	1.0%	3.7%	100%

Population Groupings by Age

Age by Gender - Census 2011

Age Group	Male	Female	Total Age Group
0-4	3677	3720	7397
5-9	3208	3143	6351
10-14	3174	3085	6259
15-19	3441	3306	6747
20-24	3423	3395	6818
25-29	3011	3108	6119
30-34	2186	2306	4492
35-39	1805	1969	3774
40-44	1366	1656	3022
45-49	1237	1609	2846
50-54	955	1331	2286
55-59	961	1194	2155
60-64	773	1042	1815
65-69	459	625	1084
70-74	255	528	783
75-79	152	333	486
80-89	119	305	424

85+	67	216	284
Total	**30270**	**32872**	**63142**

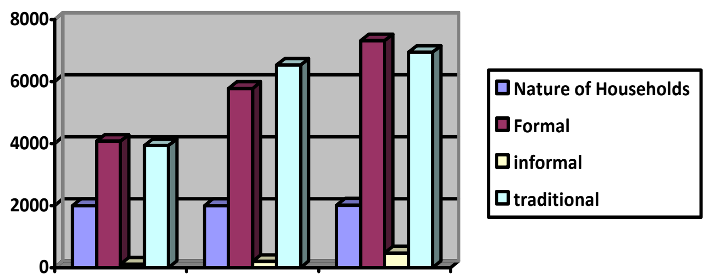
Households Census 2011

Number of Households
14964

Dwelling Type (Census 2001-2011)

Nature of Households	**1996**	**2001**	**2011**
Formal	4073	5779	7316
informal	106	194	464
traditional	3936	6534	6948

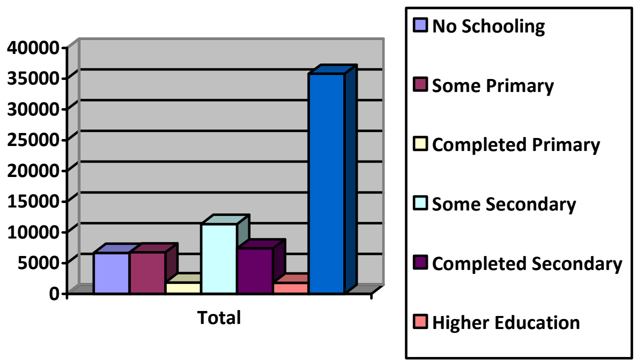
Graphical Household information



Level of Education (Census 2011) All Ages

Group	Total
No Schooling	6657
Some Primary	6725
Completed Primary	1869
Some Secondary	11361
Completed Secondary	7389
Higher Education	1796
Total	35796

Graphical Level of Education



SERVICE DELIVERY OVERVIEW

SOURCE	PROJECT	AMOUNT	Expected Time for Completion
MIG	Tala Valley(Cosmo) Road Construction	R 1 638 797.55	Completed
MIG	Construction of Matigulu Gravel Road	R 2 031 749.51	Abandoned at 60% completion
MIG	Senzakahle Hall	R 2 136 337.33	Completed

MIG	Mgwenya Creche	R 1 077 199.19	Completed
MIG	Mbungwini Hall	R 2 132 031.49	Completed
MIG	Emangweni Creche	R 976 857.34	Completed
MIG	Upgrade of Maqongqo Sportfield	R 3 332 663.18	In progress (70%)
MIG	Egxeni Access Road	R 1 472 267.14	Completed

RURAL ELECTRIFICATION SCHEDULE 6 GRANT FROM DEPARTMENT OF ENERGY

Allocation: R7 000 000.00

Sites: 496 Household Connections in all of Ward 1(Maqongqo Area) parts of Ward 2 and 3.

Status: All works completed only waiting for ESKOM to supply meters and energize the whole area.

LOW-COST SUBSIDISED RURAL HOUSING PROJECTS IN PROGRESS

i. Maqongqo Housing Project : Ward 1
ii. Mbambangalo Housing Project : Wards 1, 2 and 3
iii. KwaMahleka Housing Project : Ward 5
iv. Njobokazi Housing Project : Ward 4
v. Sukuma Sakhe Project : Ward 7 but scattered throughout Municipal area depending on need

Challenges

i. Housing projects blocked because of land issues e.g. Poortjie
ii. Small Basic Infrastructure Grants like MIG (projects take long to complete).
iii. Sector Departments not getting enough grants e.g. ESKOM not able to upgrade substations.
iv. Sector Departments not coming to the party e.g. ESKOM take ages to supply meters.
v. Insufficient Staff e.g. PMU Technician for MIG Projects

The Municipality has put together a plan to fast tract the completion of the projects that are currently not complete.

FINANCIAL HEALTH OVERVIEW

Table 1 : Billing Sample for June 2013

Rates Collection Billing for June 2013	
Billing	**R 6 697 794.71**
Collection	**R 4 943 273.82**
Net- Effect	**R 1 754 520.89**
Overall Percentage	**73.80 %**

STATUTORY ANNUAL REPORT PROCESS

Item	Activity	Time Frame
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July

2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4th quarter Report for previous financial year	
4	Submit draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Start to address the Auditor General's Findings	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	December
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

CHAPTER 2 - GOVERNANCE

Governance at Mkhambathini Local Municipality is made up of Political & Administrative Governance, Inter-governmental Relations, and Public Accountability & Participation along with Corporate Governance. Political & administrative governance is the breakdown of Elected Councillors, the committees they sit on, & the number of meetings they attend. It further looks at the administrative aspect of the municipality in terms of the organizational structure being implemented and a distinction made of the business units and their respective functions. Intergovernmental relations is basically the relationship that the municipality forges with other sector departments in order to carry out day to day activities, like National Treasury, the Auditor General & the provincial Department of CoGTA. Public accountability is the way the Municipality operates with regards to the communities by way of holding community meetings, Izimbizo's and the process of ward committees dealing with issues within the wards. Corporate governance looks at issues of transparency and accountability whereby the municipality outlines its top risks, and also the way in which they run the supply chain management unit. Together these important aspects intertwine and are forged so as to ensure all aspects of the municipality are properly functioning and that communities receive quality services at an affordable price.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Council of Mkhambathini Local Municipality is the highest decision making authority of the Municipality. It guides and instructs the administrative component, which implements the decisions taken by the political component.

POLITICAL GOVERNANCE

Mkhambathini Local Municipality has several portfolio committees of which the Full Council, Executive Committee, Municipal Public Accounts Committee and the Oversight Committee, Audit Committee attached to the municipality that provides opinions and recommendations on financial processes and performance and provides comments to the Oversight Committee on the Annual Report. The municipality has established an Oversight Committee, with the specific purpose of providing Council with comments and recommendations on the Annual Report.

POLITICAL AND ADMINISTRATIVE GOVERNANCE

Political Governance

Mkhambathini Municipality is govern by it Council which seeks to oversee that the need of the people are taken care off. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of Council as being:

(a) (making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality;
(b) (electing) its chairperson;
(c) (electing) and executive committee and other committees, subject to national legislation;
(d) (employing) personnel that are necessary for the effective performance of its functions**.**

There are fourteen Councilors that constitute Mkhambathini Local Municipal Council, and are represented as follows

Her Worship: Honorable Mayor

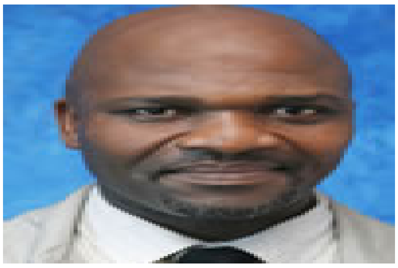
Councilor

T.E Maphumulo

His Worship: Deputy Mayor

Councilor

C.T Mkhize



The Honorable Speaker

Councilor

E Ngcongo

Full Council

<u>BACK ROW (left to right)</u>

CLLR-M.NENE,CLLR-T.A.GWALA,CLLR-M.R.NTULI,CLLR-M.M.M.MAGUBANE,CLLR-H.S.MTETWA,CLLR-M.R.LEMBETHE,CLLR-N.ZONDO,CLLR-F.P.MSOMI AND CLLR-T.Z.MAPHUMULO.

<u>FRONT ROW (left to right)</u>

CLLR-E.NGCONGO (SPEAKER), CLLR-M.M.LEMBETHE

CLLR-T.E.MAPHUMULO (HONOURABLE MAYOR) AND CLLR-C.T.MKHIZE.(DEPUTY-MAYOR) and CLLR-M.NGCONGO(Not in a picture).

Number of Council Meetings	2012/2013
8	

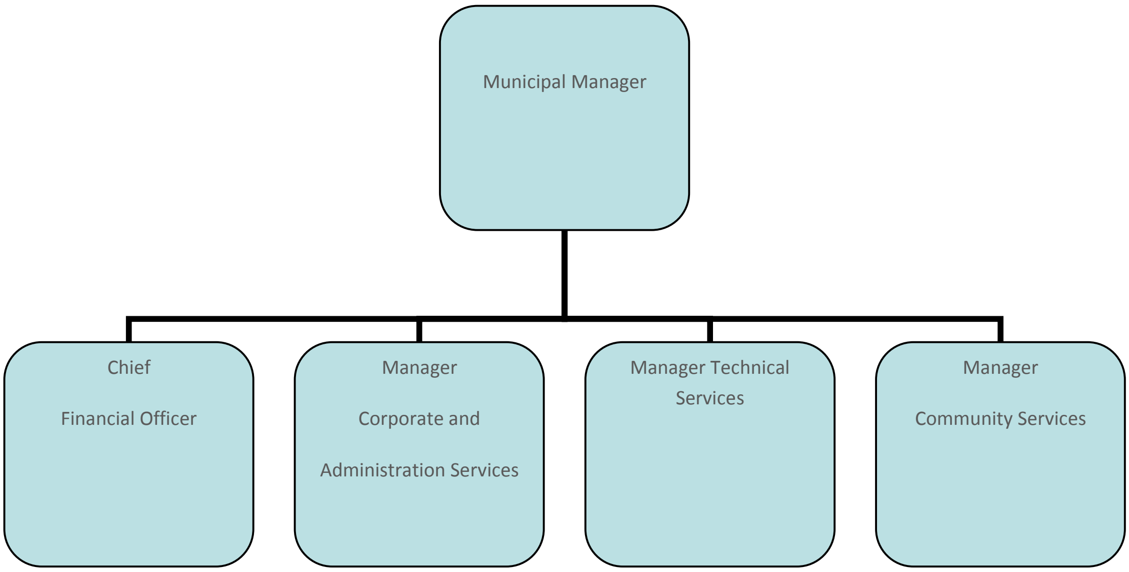
The party-political and demographic representation of Councillors is reflected in the table below:

POLTICAL PARTY	ALLOCATION OF SEATS	GENDER DISTRIBUTION	
		MALE	FEMALE
African National Congress	9	8	1
Democratic Alliance	1	1	0
Inkatha Freedom Party	3	3	0
National Freedom Party	1	0	1
TOTAL	14	12	2

COUNCILLORS

Cllr.M Nene	Exco Member/ EDP Chairperson
Cllr.N Zondo	EDP Member
Cllr.HS Mtetwa	HR/ SCOPA Member
Cllr.R N Lembethe	SCOPA Chairperson
Cllr.T A Gwala	SCOPA Member
Cllr. MM Magubane	Finance Member
Cllr.MR Ntuli	Finance Member
Cllr.MM Lembethe	HR / SCOPA Member
Cllr.M Ngcongo	SCOPA Member
Cllr.TZ Maphumulo	EDP Member
Cllr FP Msomi	SCOPA Member

ADMINISTRATIVE GOVERNANCE



As depicted in the organogram above, the Mkhambathini Municipality has four departments; each department is headed by the Manager employed in line with Section 57 of the Municipal Systems Act No. 32 of 2000.

Departmental Functions

Office of the Municipal Manager

Municipal Manager: Mr. D A Pillay

- Internal Audit/External Audit;
- Implementation of special mayoral projects;
- Legal compliance;
- Service delivery improvement;

- Municipal Electoral Management;
- Sound Labour Relations;
- Public participation;
- Anti-corruption Strategy;
- Performance Management;
- Powers and functions of an Accounting Officer.

Department of Technical Services

Technical Services Manager: Mr SM Dondo

- Access to water;
- Access to sanitation;
- Access to electricity;
- Roads and storm water management;
- Waste management;
- Sustainable human settlement;
- Land use management;
- Provision of public facilities;
- Development Planning; and
- Building Control.

Department of Financial Services

Acting Financial Services Manager: Mrs PR Mthiyane

- Implementation of the MFMA
- Budgeting and Reporting
- Income Control
- Expenditure Control
- Supply Chain Management
- MPRA
- Municipal Property Rates
- Asset Management

Department of Administration and Corporate Services

Corporate Services Manager: Mr MM Lembethe

- Human resource management
- Information communications technology
- General Administration
- Secretarial services to committees
- Document management(Archives)
- Library services
- Motor licensing
- Learners License

Community Services

INTERGOVERNMENTAL RELATIONS

INTERGOVERNMENTAL RELATIONS

PUBLIC PARTICIPATION

The functional public participation structure for the municipality are :

IDP Representative Forum

Planning Co-ordinating Committee

District Wide Cluster Forums (Municipal Managers Forum, Mayors Forum and District Clusters)

WARD COMMITTEE STRUCTURES

Section 152(1)(e) of the Constitution of the Republic of South Africa, read together with Section 72 (1) and (2) of the Municipal Structures Act (Act 117 of 1998) give a direct mandate to Municipalities to encourage the involvement of communities and community organizations in matters of local government and to establish community participatory systems.

Sections 8 (g and h), 9 (f) and 72 of the Structures Act, authorize Municipalities to establish ward participatory systems as mechanisms to enhance participatory democracy in local government.

Accordingly, 7 ward committees are operational in the Mkhambathini Municipality. A Ward Committee consists of the relevant Ward Councilor, who automatically assumes chairpersonship of the committee, and ten (10) other members. This composition is in terms of Section 73 (2) (a) and (b) of the Municipal Structures Act, which further states that the other ten (10) members should be elected into the Ward Committee. The composition of ward committees takes into cognizance issues of gender, disability groups, civil society, religious groups and any other organized groups within the community.

The primary objective of the ward committee is to enhance public participation of the community of Mkhambathini in the programmes of the Municipality.

A public Participation section established in the Mayor's office under the and support of the Speaker, is responsible to ensure that the ward committees are functional in line with an approved Ward Committee policy.

Ward Committee members have been assigned portfolios aligned to the IDP priorities to ensure that issues pertaining to communities and the IDP are aligned.

IDP PARTICIPATION AND ALIGNMENT

The 2012-2013 IDP has marked the second year of the third generation of the IDPs. The Municipality's IDP process had once again went through the exercise of public participation and the community needs and concerns are recorded. The Municipal Systems Act (as amended) has prompted changes in the way in which the Council plans for the future of the municipality. It also provides greater scope for communities to make their own choices about what the Council does and how.

This legislation requires Council to undertake an exercise, at least once in every five years, to identify community development priorities. These development priorities are determined with active participation by affected communities. These priorities form the basis for the long-term integrated development plan.

Since the first term of Council in 2000-2005, the Council has been consulting with members of the community, local business community and community organization to determine the priorities of the people of Mkhambathini. Along with the development priorities for the second term of the Council (2006-2011), these priorities were formulated based on the information gathered on social dynamics, service provision and people's perception of the Municipality's strengths, weaknesses, opportunities, and threats.

IDP Participation and Alignment Criteria	Yes / No
Does the Municipality Have Impact, Outcome, Input, output, indicators	Yes
Does the IDP have priorities, objectives, KPI's, development strategies	Yes
Does the IDP have multi-year targets	No
Are the above aligned and can they calculate into a score?	Yes
Does the Budget align directly to the KPI's in the strategic plan?	Yes
Does the IDP KPI's align to Section 57 Managers	Yes
Does the IDP KPI's lead to functional area KPI's as per the SDBIP?	Yes
Do the IDP KPI's align with the provincial KPI's on the 12 Outcomes?	Yes
Were the Indicators communicated to the public	Yes

Were the four quarter align reports submitted within stipulated time frames?	No

CORPORATE GOVERNANCE

In general, corporate governance is perceived as a normative principle of administrative law, which obliges any institution to perform its functions in a manner that promotes the values of efficiency, non-corruptibility, and responsiveness to civil society. The principle of good governance has also been espoused in the context of the internal operations of both the public and private sector organisations. In this way, corporate decision-making strategies integrate the principle of good governance and ensure that public interests and employees are taken into account.

RISK MANAGEMENT

Section 62 (i) of the MFMA required that the municipality have and maintain and effective, efficient and transparent system of risk management. The Municipality undertook to implement and comply with this section and this resulted in the development of the Risk Action Plan through a workshop which was held near the end of the financial year 2011/12 with the assistance of Internal Audit Activity. A risk register was compiled and approved by the Audit and Performance Management Committee. Furthermore a Risk Management Strategy was developed, however due to the absence of the Risk Officer the municipality was not in the position to monitor and implement actions that were agreed to during the workshop.

To 5 Risks

- Inability to attract Investments.
- Inability to attract and retain skills personnel.
- High Number of indigent families.
- High Number of unemployed Youth.
- Inability to maintain municipal infrastructure.

ANTI-CURRUPTION AND FRAUD

The Municipality is committed to a free corruption and fraud environment. The municipality has developed the Anti-fraud policy to guide the municipality on matters pertaining to fraud, the development of the policy document is an illustration that the Municipality does not tolerate fraudulent or corrupt activities whether internal or external to the Municipality. The Internal Audit Activity assisted in communicating the policy and workshops were conducted.

The Municipality believes that if we are honest and open in our everyday dealings and communications with other people, if we fulfil our commitment at all times and practice trust, tolerance and respect, only then can we achieve dignity and integrity. Every day of our lives we are faced with choices and easy options that are filled with promises of wealth. Make sure our heart and our head agree on the honest choice, however difficult it may be. Remember it is the nature of our environments, which is tempting. We need to take responsibility for our choices. It is becoming increasingly difficult to stay honest and open, especially in light of the ever-changing environment around us. Our only obligation in life is to be true to ourselves and our commitments. In the long run we will achieve more in life than those who sold out their principles for the short-term gain.

We expect people to trust us, and therefore it is up to us to give them the reasons to trust us. Our reputation of today will be based on our actions of the past. Our actions today are the building blocks of our future reputation.

People at our Municipality hold dearly specific rich and positive values. Therefore, our employees' commitment to these values is the only single weapon against corruption and fraud.

SUPPLY CHAIN

The Municipality has established a Supply Chain Unit in line with the internal Supply Chain Management (SCM) Policy and Supply Chain Management Regulations. The division is headed by the Accountant who reports directly to the Chief Financial Officer.

The Municipality has a policy on SCM which has been implemented fully throughout the year. There were not indicators of abuse in the implementation of the SCM policy of the municipality during the year under review.

The calling for tenders to secure supplies of goods and services is an integral part of SCM, as legislation compels public institutions to procure goods and services through this process. A thorough knowledge of the different phases of the tendering process and the accompanying procedures is therefore necessary to ensure that public officials procure goods and services timely and according to their requirements.

In line with the Municipal Finance Management Act (MFMA), the Accounting Officer has approved the Bid Committees. The Municipality ensures that the tender process is fair, Transparent, equitable and cost effective.

BY- LAWS

BY- LAWS INTRODUCTED DURING 2012/2013 FINANCIAL YEAR
Municipal Pound By-law

WEBSITE

Municipal Website: Content and Currency of Material		
Documents Published on the Municipal Website	(Yes/No)	Publishing Date
Current annual adjustment budget and all budget related documents	No	Not applicable
All Current budget Policies	Yes	May 2012
The previous annual report 2010/2011	Yes	May 2012
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act 2011/2012 and resulting scorecards.	Yes	April 2013
All service level agreements 2011/2012	No	Not applicable
All long term borrowings contracts 2011/2012	None	Not Applicable
All supply chain management contracts above a prescribed value for 2011/2012	None	Not Applicable

An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2011/2012	No	Not Applicable
Contracts agreed in 2011/2012 to which subsection (1) of section 33 apply, subject to subsection (3) of that section.	None	Not Applicable
Public Private Partnership agreements referred to in section 120 made in 2011/2012	None	Not applicable
All quarterly reports tabled in Council in terms of Section 52 (d) Section 71 during 2011/2012	No	Not Applicable
Any other information required in terms of Section 75 of the Municipal Finance Management Act.	None	Not Applicable

The municipality does not have a dedicated computer to be accessed by the members of the community; however the community has access to the computer at our library for the purpose as envisaged in Section 75 of the MFMA.

PUBLIC SATISFACTION ON MUNICPAL SERVICES

Due to financial constraints the municipality has not been in a position to conduct a satisfaction survey for the year under review.

INFORMATION COMMUNICATION AND TECHNOLOGY

INTRODUCTION TO ICT SERVICES

Information and Communications Technology is the backbone of service operations in the Municipality. The section set out to achieve the following:

Information Technology Governance

The issue of Governance was flagged as a necessary intervention to regulate and guide the development path of IT in the Municipality. ICT Governance is a subset discipline of Corporate Governance focused on IT systems and their performance and risk management. The rising interest in ICT Governance is partly due to compliance initiatives, but more so because of the need for greater accountability for decision-making around the use of IT in the best interest of all stakeholders. IT capability is directly related to the long term consequences of decisions made by top management. IT governance systematically involves everyone, executive management and staff. It establishes the framework used by the organization to establish transparent accountability of individual decisions, and ensures the traceability of decisions to assigned responsibilities.

Information Technology Service Continuity Planning

Continuity management is the process by which plans are put in place and managed to ensure that IT services can recover and continue should a serious incident occur. It is not just about reactive measures, but also about proactive measures-reducing the risk of a disaster in the first instance. Continuity management is regarded as the recovery of the IT infrastructure used to deliver IT Services, but many businesses these days practice the much further reaching process of Business Continuity Planning (BCP), to ensure that the whole end-to-end business process can continue should a serious incident occur.

Mkhambathini Local Municipality’s Continuity management involved following basic steps:

- Prioritizing the businesses to be recovered by conducting Business Impact Analysis
- Performing a Risk Assessment for each of the IT Services to identify the assets, threats, vulnerabilities and countermeasures for each service.
- Evaluating the options for recovery
- Producing the Contingency Plan

- Testing, reviewing and revising the plan on a regular basis

Facility and Control Management

We had to comprehensively revamp our facilities in line with the best practices and ensure that the control environment has the necessary features that would protect our production environment. Further to the modernization of our server room the following have been done:

- Environmental Control: The physical environment of a server room is rigorously controlled. Air-conditioning is used to control the temperature and humidity in the server room. The temperature range of 16-24 °C and humidity range of 40-55% with a maximum dew point of 15 °C is implemented as industry standard.
- Physical Security: Access to the server room is limited to selected personnel and controlled by access control system.
- The municipality is in the process of getting the following for modernization of the server room:
- Raised Floors: for easy access of wires and cables
- Electrical Power: Backup power consists of one or more uninterruptible power generators. To prevent single points of failure.
- Fire Protection: to be installed to provide early warning systems, fire sprinklers to control fire should it develop.
- Physical Security: Biometric system also to be monitored by high definition cameras.

3. SERVICE STATISTICS FOR ICT SERVICES

- User Account Creation : 100% Turn Around
- System Administration : 65% Compliance
- Network Administration : 80 % Availability
- Laptops & Desktops : 57
- Servers : 2
- Multi functioning Machines : 15
- Licencing : 5
- Program Change Management : 60%

Processes	Outline Service targets	Purpose	2012/13	2013/14
Asset System	Implement Asset Management System	To assist the Department of finance in monitoring and tracking assets	Service level agreement	Service level agreement
Helpdesk System	IT Service improvement	-	Improve the IT service offering to the organization	Continuous improvement through enhancing other services
Server Refurbishment	Secure Control environment	-	Refurbish the server room	Refurbish the server room to AG's server requirements
Info and Network security	Secure production environment	-	Ensure that our production environment is secured	
ICT Strategy Development	Information & Development path for the Municipality			Implement the projects on the Master system's plan
ICT Governance	Information & Development path for the Municipality		Charter and Framework Developed	Refine the Framework to align to SALGA ICT Strategy.
HR System	Implement Human Resource Management System.	To reduce Manual workload of HR Administrative activities by automating processes	Service Level agreement	Service Level agreement

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

Server Room Upgrade: Information and Communications Technology operations are a crucial aspect of most organizational operations. One of the main concerns is business continuity; companies rely on their information systems to run their operations. If a system becomes unavailable, company operations may be impaired or stopped completely. It is necessary to provide a reliable infrastructure for ICT operations, in order to minimize any chance of disruption. Information security is also a concern, and for this reason a server room has to offer a secure environment which minimizes the chances of a security breach.

A server room must therefore keep high standards for assuring the integrity and functionality of its hosted computer environment. This is accomplished through redundancy of both fiber optic cables and power, which includes emergency backup power generation

Our production environment has not been upgraded to an acceptable operating standard and meet industry's best practices in terms of environmental control.

Print Room: The Municipality is in the process of procuring printing equipment of high standards to assist relevant departments in its support function.

PCs and Desktops: This is an ongoing process to continually automate our operations. The exercise also included replacement old equipment's.

Upgrade of the MSA: IT performance optimization.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

BASIC SERVICES

WATER PROVISION

The provision of water has been a key priority for government since the advent of democracy. Mkhambathini Municipality acknowledges that water challenges still persist in some areas, Ward 1, 2 and 3 approximately 29 264 people are affected by the water challenges around those areas. The most challenge the municipality faces is ageing and mal-functional infrastructure which is compounded by vandalism poses a serious problem and also the escalating of the population based on the water skim.

The Mkhambathini Municipality has seen it imperative to work collaborately with uMgungundlovu District Municipality, who at present is handling the services of water and sanitation for our municipality, in addressing the issue of water and sanitation in the municipality. It is in the plan of the Municipality to at least have the majority of households having water accessible inside their dwelling houses or inside the yard as much as possible. Crucial to achieving this will be the establishment of more dandified settlements in wards 1, 2 and 3 hence bridging the divide in the economies of scale.

Water Facilities

The table below indicates an improvement in the service delivery of water within the municipality.

Water Source

	Census 1996	Census 2001	Census 2011
In dwelling/yard	3560	5722	7910
On communal stand	725	1640	2015
Access to piped water	3621	5189	5039

WASTE WATER (SANITATION) PROVISION

Toilet Facilities

Toilet Facilities	Census 1996	Census 2001	Census 2011
Flush toilet (connected to sewerage system)	1260	3907	4820
Pit latrine with ventilation (VIP)	4820	4970	10170
Bucket latrine	77	101	88
None	92031	2572	1108

ELECTRICITY

There has been a substantial improvement in the percentages of households that use electricity for the following table depicts the results of the recently conducted 2011 Community Survey (See Table Below):

Table 10: Energy / Fuel for Lighting, heating and cooking

Energy / Fuel	Census 1996	Census 2001	Census 2011
Lighting	2578	5329	9758
Heating	1484	2553	6441
Cooking	1734	3021	7767

WASTE MANAGEMENT

Refuse disposal is critical in creating an enabling environment for every resident of the municipality, more especially the younger generation as they are more exposed to hazardous conditions. The Municipality has improved the collection of refuse within its jurisdiction comparing the Census 1996, 2001 and the 2011 Community Survey .

Waste Management	Census 1996	Census 2001	Census 2011
Removed by Local Authority /Private Company	325	671	1057
Communal /Own Refuse Dump	6926	9700	12189
No Rubbish disposal	818	2179	1541

HOUSING

The KwaZulu-Natal Department of Human Settlements and Public Works (KZNDoHSPW) has delivered 25 940 housing units in the 2012-2013 financial year. We are proud to report that Mkhambathini Municipality housing project has also has an impact in the KNDoHSPW delivery. We believe that the municipality has delivered one of the best houses in the province. The Municipality is committed to show case with more Housing delivery in the near future

ROAD TRANSPORT

ROADS

The Municipality is responsible for a major access roads that are not maintained by Department of Transport. Due to very bad weather conditions we have experience over the year some a dilapidating. Through many years of use without maintenance or hardening, many have developed in deep dongs where storm-water continuously deepens them. However the municipality, where it can have repaired some under very tight budgetary constraints. The maintenance plan has been developed to ensure day to day maintenance of our own infrastructure.

TRANSPORT

The Majority of public transport facilities in the Mkhambathini Municipality area is informal and requires serious upgrading. Although there is an issues of space to provide a state of the art Taxi Rank in the Camperdown and surrounding areas the municipality is putting a plan together to identify spots where bus/taxi shelter can be erected.

WASTE WATER (STORM WATER DRAINAGE)

There is not storm water master plan resulting in adhoc projects being identified where complaints are received. Problems are experienced in the CBD concrete pipes are collapsing owing to fatigue from heavy rains and traffic loads. This has resulted in most of the CBD infrastructure becoming aged at a very rapid pace.

PLANNING AND DEVELOPMENT

PLANNING

The Municipality has entered into a shared service in terms of Planning and Development uMngeni Municipality is a leading partner in this regard. However the municipality is planning to capacitate this section to assist with all administrative related issues.

LOCAL ECONOMIC DEVELOPMENT

Local Economic Development (LED) offers local government, the private sector, the not-for-profit sector and the local community the opportunity to work together to improve the local economy. It aims to enhance competitiveness and thus encourage sustainable growth that is inclusive. The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. Mkhambathini Municipality has a few of LED projects in function, challenge targeting the market, the Municipality has partnered with SEDA for assistance in this instance. Co-operative and LED projects are been implemented at ward level.

As Mkhambathini Municipality we pursue LED strategies for the benefit of our jurisdiction, and individual communities and areas within our jurisdiction also pursue LED strategies to improve their economic competitiveness. Such approaches are most successful if pursued in partnership with local government strategies. Local communities respond to their LED needs in many ways, and a variety of approaches that Mkhambathini Municipality under takes that include:

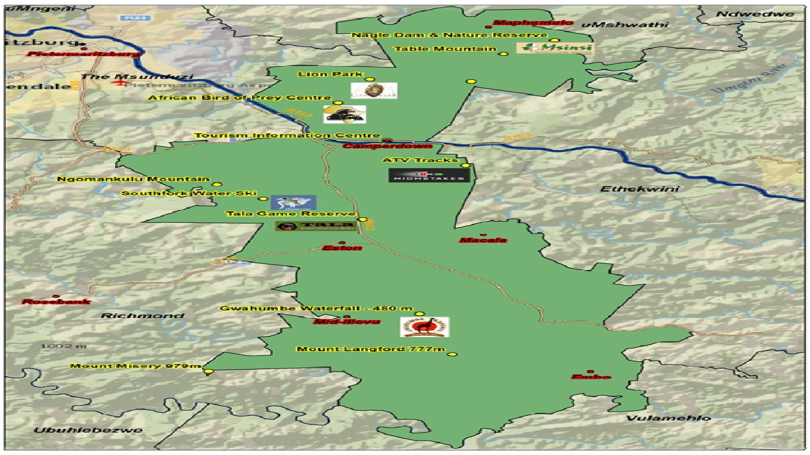
- Ensuring that the local investment climate is functional for local businesses;
- Supporting small and medium sized enterprises;
- Encouraging the formation of new enterprises;
- Attracting external investment (nationally and internationally);
- Investing in physical (hard) infrastructure;
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- Supporting the growth of particular clusters of businesses;
- Targeting particular parts of the city for regeneration or growth (areas based initiatives);

- Supporting informal and newly emerging businesses;
- Targeting certain disadvantaged groups.

Tourism

Local tourism" is defined as a function of municipalities within the Constitution. Municipalities have a responsibility to exercise the developmental mandate across all functions delivered at local level including the development and marketing of the tourism sector.

The tourism sector is starting to play a pivotal role in the provision of employment and economic growth. There have been a number of agric-tourism related applications submitted to the municipality and have been encouraging for the future economic growth of the municipality within the agricultural sector. The Spatial Development Framework has in this regard taken consideration of the tourism potential within the municipality and identified nodes that will promote the sector.



The municipality has a number of cultural, historical and natural assets, which have begun to form the basis of an emergent tourism industry. The main features of the existing tourism sector are:

Eco-tourism: Private Game ranches offering up-market accommodation and wildlife trails for Local and International visitors (including Tala Game Reserve, Ntsingisi Game Lodge and Spa and Gwa Humbe Game Reserve) and wildlife sanctuaries (African Bird of Prey Centre, the Lion Park and Natal Zoological Gardens).

Agro-tourism: The Country Capers Tourism Route comprises several auto routes that meander through the municipality, linking it to adjacent areas (Thornville, Baynesfield, Richmond, Ashburton, Byre Valley and Inchanga) and other tourism routes (Albert falls Amble and 1000 Hills Tourism) offering farm style, self-catering, bed and breakfast and guest lodge accommodation, scenic views and peaceful retreats.

Adventure Tourism: The area is host to a number of adventure and sporting activities including off-road motorcycle and car races, canoeing events on Nagle Dam, mountain bike races (cycling), microlighting, skydiving, waterskiing and hiking trails. Not to mention the Comrades Marathon and aMashovashova cycle race which also pass through the area. All of which bring National and International visitors to the area.

Tourism attractions are generally located close to the main roads traversing the municipality. Ownership of the tourism industry tends to be highly concentrated with little involvement by rural communities. Participants at community workshops called for the exploitation of undeveloped tourism potential in the municipality, their involvement in tourism development and related income-generating opportunities, as well as the need for education about the benefits and obligations of tourism.

Over 60% of the total land area of the municipality is covered by natural forest, shrub and bush-land and much is in good condition, and this represents a significant opportunity for the further development of eco-tourism in the municipality. In response to the natural assets and the absence of a large-scale game reserve in the area, the development of the Mkhambathini Game Reserve has been proposed for the area to the north of the N3 between Cato Ridge and Pietermaritzburg, and it will form the primary attraction along the envisaged Tourism Corridor between Durban and Pietermaritzburg.

The draft KwaZulu-Natal Tourism Development Strategy has given its support to the Mkhambathini Game Reserve, This attraction in the municipality will form part of the broader Durban-Pietermaritzburg Tourism Corridor, and be directly linked to the primary tourism node of the Valley of a Thousand Hills. Given that the R603 is already an important route to and from the South Coast, additional tourism developments along this route should be established to attract holidaymakers who pass through the area.

Mkhambathini Municipality has developed its Tourism Strategic Development Plan. Part of the plan is to develop a marketing strategy as a means to promote Mkhambathini Municipality’s as a unique differentiated brand and one of the preferred travel destinations in KwaZulu Natal.

Mkhambathini Tourism Association and Mkhambathini Tourism Forum have been formed as a requirement and their core roles and responsibilities of this local organization are as follows:

- Support and coordinate the branding of designated products regions;
- Assist in TKZN in national campaigns by providing marketable products, events and attractions for these campaigns,
- Assist TKZN in international marketing providing product information
- Promote tourism awareness in localised areas
- Provide tourism infrastructure in localised areas
- Facilitate private sector involvement in the marketing and development effort
- Facilitate local product development
- Provide tourism information and publicity.

Mkhambathini Municipality has unique destinations which combine the best of nature and agriculture environments. The diversity of facilities provides entertaining activities for the entire family. Key areas are as follows:

- Tala Valley
- Lion Park and Zoo
- African Bird of Prey Sanctuary
- Nagle Dam
- Table Mountain (natural area)
- Rosie Antique barn
- Hot air Balloon in Tala Valley
- Guahumbe Game Reserve
- Emoyeni Micro lighting
- Wingfield Nature Reserve

Historical and other places of interest

There are private game ranches offering up market and wildlife trails (Tala, Gwahumbe Game Reserve and Spa, iNsingizi Lodge). Agro- Tourism: Sakabula circuit motor routes to country attractions such as fresh produce, clothing, farm stalls, Valley of a Thousand Hills and accommodation.

John Vander Plank Gravesite

Anglican Church of Resurrection

Methodist Church

SPORT AND RECREATION

The below indicates the availability of recreational facilities, although some Wards are still without. Most of the available facilities require significant upgrading and revamping in order to fully benefit in sports, arts and cultural aspect of the municipality. The aim of Sports and Recreation is to improve the quality of all South Africans by promoting participation in sports and recreation in the country, and through participation of South African sportspersons and teams in international sporting events.

The above statement encapsulates the overall South African picture in terms of sports and recreation but it is at municipal level where everything has to be planned accordingly to fully utilize the talent at international level. To this end, the Mkhambathini Municipality has a number of interventions that assist in fully capitalising on this aspect of the community. The municipality has had a great impact in the province in the performing arts and would require the municipality to invest in this aspect.

Recreational Facilities

Ward 1	
Sports & Recreation Facilities	Sports Fields are present

Ward 2	
Sports & Recreation Facilities	Sports Fields are present.

Ward 3	
Sports and Recreation Facilities	Needs to be upgraded.

Ward 4	
Sports & Recreation Facilities	There are no sports facilities in the area.

Ward 5	
Sports & Recreation Facilities	Sports fields that exist in some parts of the ward are not to acceptable standards, these needs to be upgraded. In other parts of the ward there are no sports facilities at all.

Ward 6	
Sports & Recreation Facilities	Sports fields that exist in the area such as Makholweni are not up to accessible standards, these needs to be upgraded. In other areas there are no sports facilities.

Ward 7	
Sports & Recreation Facilities	Sports fields that exist in this area are not up to acceptable standards, these needs to be upgraded, in other areas there are no sports facilities.




CHAPTER 4 : ORGANISATIONAL DEVELOPMENT AND PERFORMANCE

EMPLOYEE TOTAL, TURNOVER AND VACANCIES	
Approved post per approved organogram	
Vacant positions	18
Deaths	1
Resignations	7
Dismissals	None
Retirements	None
New appointments	4

MANAGING THE MUNICIPAL WORKFORCE

POLICIES

HR POLICIES AND PLANS				
	Name of Policy	**Completed**	**Reviewed**	**Date Adopted by Council/Comment on Failure to adopt.**
1	Leave Policy		June 2012	24 August 2012
2	Recruitment and Selection		June 2012	24 August 2012
3	Labour Relations		July 2012	24 August 2012

4	Health and Welfare		July 2012	24 August 2012
5	Employee Assistant Program		July 2012	24 August 2012
6	Overtime Policy		July 2012	24 August 2012
7	Education Training and Development		July 2012	24 August 2012
8	Employment benefits and Condition		July 2012	24 August 2012

PERFORMANCE REWARDS

The Municipality is in the process of reengineering the organizational performance management system. The individual performance management will be introduced in stages once all consultation processes have been exhausted the latest will be 2015/2016 financial year. This will be to ensure high level of performance by each employee which will assist the Municipality due to the fact that this will assist in the overall Municipal performance.

CAPACITATING THE MUNICPAL WORKFORCE

SKILLS DEVELOPMENT AND TRAINING

The Municipality has several well developed capacity development programmes and systems in place including annual workplace skills plans (WSPs), and internship. All section 57 attends competency level training funded by the Institute of Municipal Finance Officers (IMFO).

CHAPTER 5: FINANCIAL PERFORMANCE

OTHER FINANCIAL MATTES

GRAP COMPLIANCE

The Municipality has implemented all relevant GRAP requirements and has not since 2007/08 received any audit qualification based on GRAP Non-compliance. The Accounting policies to the financial statements state that the Annual Financial Statements have been prepared in accordance with GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with Section 122(3) of the MFMA. In addition, the financial statements include mandatory disclosures in accordance with the MFMA and related regulations.

CHAPTER 6: REPORT OF THE AUDITOR GENERAL

Accounting Officers Responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.\

Auditor General's Responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion

6. In my opinion the financial statement present fairly in all material respects the financial position of the Mkhambathini Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of Matters

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

Restatement of corresponding figures

8. As disclosed in note 24 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the financial statements of the Mkhambathini Municipality at, and for the year ended June 2012.

Unaudited supplementary schedules

9 The supplementary information set out on page 39 to 40 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Significant uncertainties

With reference to note 51 to the financial statements, the municipality is a defendant in various lawsuits and there are also uncertainties arising from the fact that SALGA has appealed the recent court order regarding the wage curve agreement. It the outcome is unfavourable, the municipality will have to embark on a job evaluation process before implementing the wage curve. Therefore, the ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.

1. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulation and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

1. Performed procedures to obtain evidence about the usefulness and reliability of the information in the (name of annual performance report) as set out on page………. to ………….. of the annual report.

2. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with National Treasury annual reporting principles and whether the reported performance is consistent with planned objectives. The usefulness of information further relates to whether indicators and targets are measureable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing performance information.*

   The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

   The material findings are as follows:

Usefulness of Information

Measurability

Performance targets not time bound

3. A total of 37 % of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive necessary training to enable application of the principles

Performance indicators not well defined

4. A total of 21% of the indicators were not well defined in that clear, ambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive necessary training to enable application of the principles.

Achievement of planned targets

5. Of the total number of 112 targets planned for the year, 37 of targets were not achieved during the year under review. This represents 33% of total planned targets that were not achieved during the year under review.

   This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning processes.

Compliance with laws and regulations

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

Annual Financial Statements

7. The financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

8. The accounting officer did not did not take reasonable steps to prevent irregular expenditure, as required by Section 62 (10 (d) of the MFMA.

Asset Management

9. An effective system of internal control for assets was not in place as required by Section 63 (2)c) of MFMA.

Internal Control

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

Leadership

11. The accounting officer did not exercise adequate oversight over financial reporting and compliance as well as internal control. In this regard, the accounting officer did not regularly assess whether staff members has essential skills and knowledge to support the achievement of credible reporting and comply with designed policies and procedures, as well as legislative requirement's

Financial and performance management

12. Adequate process were not in place to communicate timely and relevant information t those charged with governance, in that monthly reporting and reconciliation processes were not at desired levels. In addition records management and review processes were not designed and implemented in a manner to improve accountability and credibility in financial and compliance reporting. This is evidenced by material corrections in the financial statements, as well as the lack of records that arose during the auditing process.

Governance

13. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses on risk and provide oversight over the effectiveness of the internal control environment, including financial and compliance with laws and regulations.

14.

Auditor-General

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Pietermaritzburg

29 November 2013

Mkhambathini Municipality
Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Other debtors	6	596 749	1 662 227
VAT receivable	7	594 247	2 306 708
Consumer debtors	8	1 712 934	2 150 674
Cash and cash equivalents	9	10 831 927	4 486 467
		13 735 857	**10 606 076**
Non-Current Assets			
Property, plant and equipment	3	58 332 040	50 873 504
Intangible assets	4	-	364 912
		58 332 040	**51 238 416**
Total Assets		**72 067 897**	**61 844 492**
Liabilities			
Current Liabilities			
Other financial liabilities		-	88 360
Trade and other payables	12	2 947 099	2 663 179
Unspent conditional grants and receipts	11	5 945 849	3 129 976
Bank overdraft	9	-	343 286
		8 892 948	**6 224 801**
Total Liabilities		**8 892 948**	**6 224 801**
Net Assets		**63 174 949**	**55 619 691**
Net Assets			
Revaluation reserve	10	14 986 809	15 647 611
Accumulated surplus		48 188 140	39 972 080
Total Net Assets		**63 174 949**	**55 619 691**

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	13	4 880 515	4 149 989
Fines		66 270	85 170
Licences and permits		2 580 691	2 299 571
Government grants & subsidies	14	41 641 983	34 482 288
Commissions received		4 857	5 998
Other income		286 602	490 115
Interest received	19	754 332	372 481
Gains on disposal of assets		4 507	69 600
Total Revenue		**50 219 757**	**41 955 212**
Expenditure			
Employee Related Cost	17	(15 269 888)	(13 636 979)
Remuneration of councillors	18	(3 643 027)	(3 262 323)
Depreciation and amortisation		(2 434 762)	(1 970 194)
Impairment loss		(2 097 350)	-
Finance costs		(44 640)	-
Debt impairment		(835 572)	(396 957)
Repairs and maintenance		(696 716)	(369 347)
Contracted services		(42 082)	-
Grants and subsidies paid		(8 385 833)	(3 745 721)
General Expenses	16	(6 745 995)	(5 884 987)
Total Expenditure		**(40 195 865)**	**(29 266 508)**
Surplus for the year		**10 023 892**	**12 688 704**

Statement of Changes in Net Assets

Figures in Rand	Revaluation Reserve	Accumulated Surplus	Total Net Assets
Balance 30 June 2010	1,775,574	25,478,568	27,254,142
Correction of prior year error	-1,289,877	-	-1,289,877
Restated Balance 01 July 2010	**485,697**	**25,478,568**	**25,964,265**
Revaluation	15,167,259	-	15,167,259
Surplus for the year	-	12,688,700	12,688,700
Balance 30 June 2011	**15,652,956**	**38,167,268**	**53,820,224**
Prior year corrections	-	-3,020.00	-3,020
Restated Balance 01 July 2011	**15,652,956**	**38,164,248**	**53,817,204**
Fair value gains (losses)	-666,147	-	-666,147
Surplus for the year	-	10,023,892	10,023,892
	14,986,809	**48,188,140**	**63,174,949**

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Vat Received		4 505 248	-
Sale of goods and services		28 141 420	24 087 441
Grants		20 279 846	13 610 725
Interest Recieved - Investment		754 332	361 621
Other receipts		-	86 261
Other cash item		-	387 399
		53 680 846	38 533 447
Payments			
Employee costs		(18 235 736)	(16 899 302)
Suppliers		(17 002 135)	(7 174 693)
Finance costs		(44 640)	-
		(35 282 511)	(24 073 995)
Net cash flows from operating activities	21	**18 398 335**	**14 459 452**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11 820 276)	(10 408 381)
Proceeds from sale of property, plant and equipment	3	199 047	69 600
Net cash flows from investing activities		**(11 621 229)**	**(10 338 781)**
Cash flows from financing activities			
Proceeds from other financial liabilities		62 449	-
Repayment of other financial liabilities		(150 809)	88 360
Net cash flows from financing activities		**(88 360)**	**88 360**
Net increase/(decrease) in cash and cash equivalents		**6 688 746**	**4 209 031**
Cash and cash equivalents at the beginning of the year		4 143 181	(65 850)
Cash and cash equivalents at the end of the year	9	**10 831 927**	**4 143 181**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

The useful lives of items of property, plant and equipment are assessed annually. Any change in the remaining useful life is accounted for in terms of GRAP 3, Change in Estimate:

All assets are deemed to have a 20% residual value as they are expected to be used right up till the end of their useful lives.

Property, plant and equipment, is stated at cost less accumulated depreciation,except land,which is revalued as indicated below.Land is not depreciated as it is deemed to have an indefinite life.Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets.The annual depreciation rates are based on the following estimated asset lives, which lives are reviewed annually:

Item	Years
Buildings	
• Buildings	30-40
Plant and machinery	
• Brushcutters and lawn mowers	3-15
• Tractors	10-20
• Guardrails	15
• Other	3-15
Furniture and fixtures	
• Chairs and sofas	5-15
• Bookshelves and cabinets	7-15
• Desks and tables	7-15
Motor vehicles	
• Motor vehicles	5-10
Office equipment	
• Printers	3-7
• Cameras	3-7
• Video Cameras	3-7
• Airconditionerss	3-7
• Other	3-7
IT equipment	
• Laptops	3-7
• Desktops	3-7
• Central Processing Unit	3-7
• Monitors	3-7
Infrastructure	
• Roads and Paving	10-30
• Stormwaters	20-25
Community	
• Buildings	20
• Swimming Pools	20
• Taxi Rank	20
• Sportsfields	10-15
• Shelters	
Security Measures	
• Walls	30
• Gates and Fencing	10-15
Bins and containers	
• Parkhomes	10-15

The gain or loss arising on the disposal or retirement of an item of property,plant and equipment is determined as the difference between the sales proceeds and carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.2 Property, plant and equipment (continued)

- Review of useful life of items of property, plant and equipment is done annually
- Review of depreciation method applied to property, plant and equipment is done annually.
- Testing for impairment of property, plant and equipment is done annually.

Revaluation of land

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 1 March 2009. The valuation of land was performed by the Municipal Valuer.

Work in progress

Work in progress is carried under Property, Plant and Equipment. Work in Progress is initially recognized at cost. Subsequent to recognition, Work in Progress is carried using the cost model, however, no depreciation is calculated on Work in Progress. Projects are transferred from Work in Progress to the respective asset category only when completed, and only then will depreciation commence.

The balance of unrecognized amount of capital work-in-progress compared to the contracted full price is disclosed as capital commitment.

1.3 Financial instruments

Trade and other Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are classified as loans and receivables.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Bank overdraft and borrowings

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

1.4 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).

Accounting Policies

1.4 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

1.4 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.4 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.5 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.6 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

1.6 Employee benefits (continued)

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Contribution to the Natal Joint Provided Fund (NJPF) and are made as follows:
Current

Provident 1 - 30 Members - 5% Council - 9%

Provident 2 - 7 Members - 7% Council - 13.65%

Provident 3 - 2 Members - 9.25% Council 18.04%

Retirement

2 Members - 7% Council - 13.65%

Superannuation

32 Members - 9.25% Council - 25%

1.7 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.

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.

1.8 Revenue Recognition

Revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

1.8 Revenue Recognition (continued)

Measurement

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

Revenue from Exchange Transaction

Interest and rentals are recognised on a time proportion basis.Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariffs by Council.This includes the Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property,plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transaction

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

Revenue from property rates is recognised when the legal entitlement to this revenue arises.Collection charges are recognised when such amounts are legally enforceable.Penalty interest on unpaid rates is recognised on the time proportion basis.Donations are recognised on a cash receipt basis or where the donation is in the form of property,plant and equipment when such items of property,plant and equipment are brought into use.Contributed property, plant and equipment is recognised when such items of property,plant and equipment are brought into use.Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payment is received.There's uncertainty regarding full recoverability of outstanding fines and summons. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

1.9 Borrowing costs

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

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

1.10 Comparative information

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended,prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.11 Unauthorised expenditure

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

1.11 Unauthorised expenditure (continued)

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

1.12 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.

1.13 Irregular expenditure

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

1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

1.15 Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts,are credited or charged to the Statement of Financial Performance.

1.16 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.

1.17 Related parties

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

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

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

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

1.18 Capital Commitments

Capital Commitments are disclosed in the annual financial statements when they have been approved and contracted for.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The impact of the interpretation is not material.

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The issues addressed in this Interpretation of the Standards of GRAP are:

- the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
- a contributor's right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:

- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The questions addressed in this Interpretation of the Standards of GRAP are:

- how should the requirement '... stated in terms of the measuring unit current at the reporting date' in paragraph .10 of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) be interpreted when an entity applies the Standard of GRAP?
- a contributor's right to access the assets is restricted.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP applies to customer loyalty award credits that:

- an entity grants to its customers as part of a transaction, i.e. a sale of goods, rendering of services, use by a customer of entity assets; and
- subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The issues addressed in this Interpretation of the Standards of GRAP are:

- whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by
  - allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers); or
  - providing for the estimated future costs of supplying the awards; and
- if consideration is allocated to the award credits:
  - how much should be allocated to them;
  - when revenue should be recognised; and
  - if a third party supplies the awards, how revenue should be measured.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by entities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

- Is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?
- When should revenue from the construction of assets in exchange transactions be recognised?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- distributions of non-cash assets (e.g. items of property, plant and equipment, entity combinations as defined in the Standard of GRAP on Entity Combinations, ownership interests in another entity or disposal groups as defined in the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)); and
- distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation of the Standards of GRAP applies only to distributions in which all owners of the same class of residual interests are treated equally.

This Interpretation of the Standards of GRAP does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

This Interpretation of the Standards of GRAP does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. The Standard of GRAP on Entity Combinations states that 'A group of individuals shall be regarded as controlling an entity when, as a result of binding arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.' Therefore, for a distribution to be outside the scope of this Interpretation of the Standards of GRAP on the basis that the same parties control the asset both before and after the distribution, a group of individual owners receiving the distribution must have, as a result of binding arrangements, such ultimate collective power over the entity making the distribution.

This Interpretation of the Standards of GRAP does not apply when an entity distributes some of its ownership interests in a controlled entity but retains control of the controlled entity. The entity making a distribution that results in the entity recognising a minority interest in its controlled entity accounts for the distribution in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements.

This Interpretation of the Standards of GRAP addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by owners who receive such a distribution.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

When an entity declares a dividend or similar distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend or similar distribution payable. Consequently, this Interpretation of the Standards of GRAP addresses the following issues:

- When should the entity recognise the dividend or similar distribution payable?
- How should an entity measure the dividend or similar distribution payable?
- When an entity settles the dividend or similar distribution payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend or similar distribution payable?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

- Is the definition of an asset met?
- If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?
- If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- How should the entity account for a receipt of cash from its customer?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

2. New standards and interpretations (continued)

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010).

The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 annual financial statements.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

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

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

The standard or the interpretation is neither relavant nor applicable to the operations of the municipality .

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

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and

2. New standards and interpretations (continued)

- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

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

GRAP 103: Heritage Assets

The standard or the interpretation is neither relavant nor applicable to the operations of the municipality.

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

GRAP 21: Impairment of non-cash-generating assets

The standard or the interpretation is neither relavant nor applicable to the operations of the municipality.

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

GRAP 26: Impairment of cash-generating assets

The standard or the interpretation is neither relavant nor applicable to the operations of the municipality.

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

GRAP 25: Employee benefits

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

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

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

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

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 158 000	-	1 158 000	1 668 000	-	1 668 000
Buildings	8 381 501	(1 125 756)	7 255 745	8 381 501	(960 823)	7 420 678
Other Assets	4 370 437	(1 539 826)	2 830 611	3 419 874	(1 491 117)	1 928 757
Roads and Paving	26 805 647	(1 974 587)	24 831 060	25 391 591	(964 886)	24 426 705
Work in Progress	260 203	-	260 203	3 757 551	-	3 757 551
Community Assets	24 201 398	(2 204 977)	21 996 421	13 689 863	(2 018 050)	11 671 813
Total	**65 177 186**	**(6 845 146)**	**58 332 040**	**56 308 380**	**(5 434 876)**	**50 873 504**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 668 000	-	-	-	-	(510 000)	1 158 000
Buildings	7 420 678	-	-	-	(164 933)	-	7 255 745
Other Assets	1 928 757	1 443 823	(194 540)	-	(347 429)	-	2 830 611
Roads and Paving	24 426 705	-	-	440 037	(35 682)	-	24 831 060
Work in Progress	3 757 551	8 080 980	-	(11 578 328)	-	-	260 203
Community Assets	11 671 813	2 295 473	-	11 138 291	(1 795 490)	(1 313 666)	21 996 421
	50 873 504	**11 820 276**	**(194 540)**	**-**	**(2 343 534)**	**(1 823 666)**	**58 332 040**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

2011	Restated Opening Balance	Reclassification	Revaluation	Additions	Disposals	Total	Opening Accumulated depreciation	Depreciation during the year	Total	Book Value
Land	4 386 607	(2 962 507)	243 900	-	-	1 668 000	-	-	-	1 668 000
Road and Paving	6 055 035	110 354	15 136 899	4 089 303	-	25 391 591	(124 837)	(840 049)	(964 886)	24 426 705
Buildings	5 588 475	2 464 062	-	-	-	8 052 537	(796 341)	164 482	(631 859)	7 420 678
Community Assets	9 017 411	2 263 528	(246 195)	2 655 119	-	13 689 863	(1 410 997)	(607 053)	(2 018 050)	11 671 813
Motor Vehicles	1 314 326	(1 314 326)	-	-	-	-	-	-	-	-
Other Assets	-	3 835 585	32 655	242 490	(690 856)	3 419 874	(1 223 735)	(267 382)	(1 491 117)	1 928 757
Work in Progress	272 680	-	-	3 484 871	-	3 757 551	-	-	-	3 757 551
Office Equipment	1 530 892	(1 530 892)	-	-	-	-	-	-	-	-
Furniture and Fittings	630 690	(630 690)	-	-	-	-	-	-	-	-
Security Measures	2 261 898	(1 812 292)	-	-	(449 606)	-	-	-	-	-
Plant and Mechinery	328 899	(328 899)	-	-	-	-	-	-	-	-
Security Measures	93 923	(93 923)	-	-	-	-		-	-	-
	31 480 836	**-**	**15 167 259**	**10 471 783**	**(1 140 462)**	**55 979 416**	**(3 555 910)**	**(1 550 002)**	**(5 105 912)**	**50 873 504**

All assets falling under category other assets as per accounting policy were reclassified to that category in the year ended 30 June 2011.

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. Land is stated at the values reflected in the valuation roll.

Figures in Rand	2012	2011

4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	-	-	-	562 334	197 422	364 912

Reconciliation of intangible assets - 2012

	Opening balance	Disposals	Amortisation	Total
Computer software	364 912	(273 684)	(91 228)	-

5. Employee benefit obligations

Compensation to accounting officer and other key management

	2012	2011
Post-employment benefits - Pension - Defined contribution plan	69 820	67 715

6. Other debtors

	2012	2011
Payment In Advance	107 447	1 272 447
Other debtors	445 427	389 780
UMDM	43 875	-
	596 749	**1 662 227**

7. VAT receivable

	2012	2011
VAT	594 247	2 306 708

	2012	2011
Opening balance	2 306 708	2 462 040
Received	(4 505 248)	(1 547 561)
Claimed during the year	2 779 842	1 371 438
Unclaimed VAT	116 846	20 791
Disallowed VAT	(103 901)	-
	594 247	**2 306 708**

8. Consumer debtors

	2012	2011
Gross balances		
Rates	2 690 843	2 813 142
Less: Provision for debt impairment		
Rates	977 909	662 468
Net balance		
Rates	1 712 934	2 150 674

Figures in Rand	2012	2011

8. Consumer debtors (continued)

Rates		
Current (0 -30 days)	168 070	261 558
30 days	106 775	203 717
60 days	152 551	168 970
90 days	189 711	231 916
120 days	136 585	238 509
150 days	151 585	229 887
180 days	1 785 566	1 366 470
Discounting of debtors	(265 511)	(265 511)
Provision for doubtful debts	(712 398)	(284 842)
	1 712 934	**2 150 674**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	401	3 400
Bank balances	10 831 526	4 483 067
Bank overdraft	-	(343 286)
	10 831 927	**4 143 181**

Current assets	10 831 927	4 486 467
Current liabilities	-	(343 286)
	10 831 927	**4 143 181**

Standard Bank -Account number 052149978
Standard Bank -Account number 354264338

10. Revaluation reserve

Opening balance	15 652 956	1 775 574
Devaluation(Revaluation)	(666 147)	15 167 259
Correction of prior year error	-	(1 289 877)
	14 986 809	**15 652 956**

During the 2010/2011 financial year, a correction of error of R1,289,877 was passed as the Annual Financial Statements did not agree with the Trial Balance.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

11. Unspent conditional grants and receipts

Movement during the year

	2012	2011
Municipal systems improvement grant		
Opening balance	263 086	386 671
Current year receipts	790 000	750 000
Conditions met - transfer to revenue	(1 053 086)	(873 585)
Conditions still to be met - transfer to liabilities	**-**	**263 086**
MAP		
Opening balance	364 432	429 432
Current year receipts	-	-
Conditions met - transfer to revenue	(85 630)	(65 000)
Conditions still to be met - transfer to liabilities	**278 802**	**364 432**
Community development workers		
Opening balance	11 225	11 225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	**11 225**	**11 225**
Corridor development		
Opening balance	205 999	205 999
Financial management grant		
Opening balance	335 965	610 478
Current year receipts	1 500 000	1 500 000
Conditions met - transfer to revenue	(1 762 416)	(1 774 513)
Conditions still to be met - transfer to liabilities	**73 549**	**335 965**
Housing grant		
Opening balance	468 105	524 062
Current year receipts	510 811	1 001 385
Conditions met - transfer to revenue	(534 848)	(1 057 342)
Conditions still to be met - transfer to liabilities	**444 068**	**468 105**
Lums grant		
Opening balance	46 537	46 537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	**46 537**	**46 537**
Municipal infrastructure grant		
Current year receipts	10 258 000	8 224 000
Conditions met - transfer to revenue	(8 618 426)	(8 224 000)
Conditions still to be met - transfer to liabilities	**1 639 574**	**-**
Soul buddies		
Opening balance	11 460	11 957
Current year receipts	-	-
Conditions met - transfer to revenue	(300)	(497)
Conditions still to be met - transfer to liabilities	**11 160**	**11 460**

Figures in Rand	2012	2011

11. Unspent conditional grants and receipts (continued)

Sport grant		
Opening balance	443 167	113 099
Current year receipts	150 000	1 050 000
Conditions met - transfer to revenue	(458 060)	(719 932)
Conditions still to be met - transfer to liabilities	**135 107**	**443 167**
Pound Grant		
Opening balance	980 000	-
Current year receipts	-	1 000 000
Conditions met - transfer to revenue	-	(20 000)
Conditions still to be met - transfer to liabilities	**980 000**	**980 000**
Electrification		
Opening balance	-	-
Current year receipts	7 000 000	-
Conditions met - transfer to revenue	(4 880 173)	-
Conditions still to be met - transfer to liabilities	**2 119 827**	**-**

The nature and extent of government grants recognised in the annual financial statements are indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

Non-current liabilities	-	-
Current liabilities	5 945 849	3 129 976
	5 945 849	**3 129 976**

12. Trade and other payables

Trade payables	269 452	331 863
Creditors	117 442	405 644
Other creditors	177 344	85 904
Retention	1 560 448	396 545
UMDM	-	87 624
Bonus and Leaves Accruals	822 413	1 355 598
	2 947 099	**2 663 178**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

13. Property rates

Rates received

	2012	2011
Commercial	6 851 744	6 878 665
Income foregone - rebates	(179 492)	(159 650)
Income foregone - exemption	(902 414)	(852 018)
Income forgone - phasing in	(889 323)	(1 717 008)
	4 880 515	**4 149 989**

The Municpal Property Rate Act was implemented in the year 2009/2010.

The following are the rates randages that were applied to the valuation in respect of the various categories: Residential : R000848 (2010: R0.008) Agriculture - R0.00212 (2010 :R0.002) ,VAcant Land - R 0.00848 (2010 :R0.008) , Industrial : R0.01049 (2010 :0.0099) ,Bussuness and Commercial R0.01049 (2010 : R0.0099) ,Public Service Infrastructue R0.0212 (2010 :R0.002). The Other R0.0149 (2010 : R0.0099) All Residential Propertyu owners are exempt from paying on the first R300000 (2010 : R30000) of the property value.Pensioners ,child headed households ,disability grantees and medicaly boarded are entitled to 20 % discount of their property value (Exclusive of R30000 refered to earlier) on request by application.Further 15 % discount is grante to all properties with land claim.Properties that were rated for the first time in 2009/2010 are entitled to 50 % phasing - In Rebate (2010 :75 %).No retes are levied on the first R15000 (2010 :15000 value of Vacant land.

14. Government grants and subsidies

	2012	2011
Equitable share	23 866 000	20 601 419
Library Grant - Art and culture	247 894	96 000
Grants and subsidies - operational	-	3 745 721
DSD	64 414	-
Electrification Grant	4 880 173	-
Financial Management Grant	1 762 416	-
Housing Grant	534 848	-
MAP	85 630	-
Municipal Infrastructure Grant	8 618 426	-
Municipal System Improvement	1 053 086	-
LGSETA Grant	71 035	-
Sport Grant	458 061	-
Municipal Infrastructure Grant to purchase PPE	-	10 039 148
	41 641 983	**34 482 288**

Equitable Share

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

15. Other income

	2012	2011
Other Revenue	-	324 823
Library Photocopies	5 458	7 287
Clearance Certificates	15 123	8 556
Subscription Library	312	215
Tender Fees	41 930	51 967
Building Plan	80 299	91 987
Library Fees	8 816	5 280
Library Fines	1 344	-
Hall Hire	320	-
	153 602	**490 115**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

16. General expenses

Stores and Materials	22 453	63 807
Advertising	114 812	77 562
Auditors Fees	864 234	606 835
Bank charges	104 308	89 003
Materials	-	7 249
Legal Expenses	206 569	35 259
Consumables	57 215	-
Valuation Fees	99 193	2 456
Discount allowed	315 440	153 397
Capacity Building	-	5 702
Insurance	95 301	104 075
Community development and training	868 048	1 769 772
Conferences and seminars	84 496	89 551
IT expenses	275 238	-
Lease rentals on operating lease	89 757	304 448
Levies	104 052	-
Licence Renewal	15 876	7 169
Disaster Management	59 757	61 593
Fuel and oil	519 448	326 890
Postage and courier	23 163	21 080
Printing and stationery	305 676	210 886
Protective clothing	98 686	44 078
Security (Guarding of municipal property)	59 883	84 079
Telephone and fax	302 479	506 610
Training	414 451	123 858
Subsistence and travelling	32 855	19 627
Waste Management	119 307	109 681
Electricity	511 813	444 688
Tourism development	42 399	-
Art and Culture	201 854	114 594
Building Control	82 567	73 577
Civic and Hospitality	141 573	94 800
Miscelleneous Expenses	103 901	27 779
Chemicals	181 191	210 429
Convention bureau	-	94 433
Stipend - Ward Councillors	228 000	-
	6 745 995	**5 884 987**

Figures in Rand	2012	2011

17. Employee related costs

Basic	10 449 193	9 932 552
Bonus	616 452	644 569
Medical aid - company contributions	541 990	390 272
UIF	230 645	6 000
WCA	6 844	83 497
SDL	132 295	27 782
Leave pay provision charge	677 179	358 770
Cell Phone Allowances	44 800	40 000
Post-employment benefits - Pension - Defined contribution plan	1 584 244	1 340 231
Travel, motor car, accommodation, subsistence and other allowances	252 000	243 136
Overtime payments	621 450	483 204
Acting allowances	37 064	15 694
Housing benefits and allowances	69 820	67 715
Bargaining Council Contributions	5 912	3 557
	15 269 888	**13 636 979**

Remuneration of municipal manager

Annual Remuneration	696 642	647 769
Travel Allowance	36 000	36 000
Back Pay	7 775	9 997
Contributions to UIF, Medical and Pension Funds	65 925	28 137
Leave Pay	123 202	-
Reimbursment	-	8 835
Cellphone Allowances	12 000	12 000
	941 544	**742 738**

Remuneration of chief finance officer

Annual Remuneration	556 301	494 030
Travel Allowance	55 000	60 000
Back Pay	6 474	8 324
Contributions to UIF, Medical and Pension Funds	34 188	48 689
Leave Pay	200 686	-
Cellphone Allowances	8 800	9 600
Acting allowance	1 692	-
	863 141	**620 643**

Remuneration of Manager of Community Services

Annual Remuneration	497 529	491 281
Travel Allowance	66 000	72 000
Back Pay	6 474	8 324
Contributions to UIF, Medical and Pension Funds	12 966	13 677
Cellphone Allowance	8 800	9 600
Housing Allowances	38 500	42 000
	630 269	**636 882**

Remuneration of Manager Technical Services

Annual Remuneration	410 800	-
Travel Allowance	40 000	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	998	-
	451 798	**-**

Notes to the Annual Financial Statements

27. APPENDIX A

Actual vs Budget Statement

	Original Budget	Budget adjustment (i.t.o s28 and s 31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	Reason for variance
Financial Performance								
Property rates and penalties	4,682,000	232,000	4,914,000	4,880,515	33,485	99%	104%	R 122,000 for debtors discounting was nnot budgeted for
Government Grants and Subsidies	44,662,000	1,128,000	45,790,000	41,641,983	4,148,017	91%	93%	Some of the grants were not fully spent
Interest earned	300,000	100,000	400,000	754,332	-354,332	189%	251%	There was an increase in cash reserves during the year
Other Income Incl. Fines	371,000	57,000	428,000	362,236	65,764	85%	98%	Could not be reliably projected
Licences and Permits	2,500,000	-20,000	2,480,000	2,580,691	-100,691	104%	103%	Could not be reliably projected
Total Revenue	**52,515,000**	**1,497,000**	**54,012,000**	**50,219,757**	**3,792,243**	**93%**	**96%**	
Employee costs	-15,140,000	-261,000	-15,401,000	-15,269,888	-131,112	99.15%	100.86%	Savings due to vacancies
Remuneration of councillors	-3,610,000	-40,000	-3,650,000	-3,643,027	-6,973	99.81%	100.91%	
Repairs and Maintainance	-1,165,000	-	-1,165,000	-696,716	-468,284	59.80%	59.80%	No clear Asset Maintenance Plan, this will be developed
Depreciation and asset impairment	-1,802,000	-	-1,802,000	-4,532,112	2,730,112	251.50%	251.50%	This was not reliably projected on the budget
General Expenses	-17,385,000	-997,000	-18,382,000	-6,745,995	-11,636,005	36.70%	38.80%	Cost saving measures implemented by management
Grants and subsidies Paid	-9,440,000	-	-9,440,000	-8,385,833	-1,054,167	88.83%	88.83%	Not all grants were fully utilised
Other Expenditure	-600,000	-200,000	-800,000	-922,294	122,294	115.29%	153.72%	The budget was below contracted amount
Total expenditure	**-49,142,000**	**-1,498,000**	**-50,640,000**	**-40,195,865**	**-10,444,135**	**79.38%**	**81.80%**	
Surplus/(Deficit) for the year	**3,373,000**	**-1,000**	**3,372,000**	**10,023,892**	**-6,651,892**	**297%**	**-66%**	

Year 2 Annual Financial statement

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Position as at June 30, 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from exchange transactions	6	556,177	596,750
VAT receivable	7	2,047,079	594,247
Consumer debtors	8	2,895,113	1,712,934
Cash and cash equivalents	9	18,263,453	10,831,927
		23,761,822	**13,735,858**
Non-Current Assets			
Investment property	3	1,158,000	1,158,000
Property, plant and equipment	4	65,747,739	56,928,426
		66,905,739	**58,086,426**
Total Assets		**90,667,561**	**71,822,284**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	2,889,802	2,124,685
Unspent conditional grants and receipts	11	9,946,577	5,945,848
Provisions	12	1,196,014	822,413
		14,032,393	**8,892,946**
Total Liabilities		**14,032,393**	**8,892,946**
Net Assets		**76,635,168**	**62,929,338**
Net Assets			
Revaluation reserve	10	14,329,907	14,986,809
Accumulated surplus		62,305,261	47,942,529
Total Net Assets		**76,635,168**	**62,929,338**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Licences and permits		3,182,723	2,580,691
Commissions received		8,656	4,857
Other income	16	361,844	286,602
Interest received		1,079,886	754,332
Property rates	14	6,722,465	4,880,515
Government grants & subsidies	15	46,451,280	41,641,983
Fines		34,300	66,270
Total revenue		**57,841,154**	**50,215,250**
Expenditure			
Employee Related Cost	18	(17,523,672)	(15,269,888)
Remuneration of councillors	19	(3,869,385)	(3,643,027)
Depreciation and amortisation		(3,084,589)	(4,792,315)
Impairment loss/ Reversal of impairments		(31,093)	-
Finance costs		(106,983)	(148,948)
Debt impairment		(601,568)	(835,572)
Collection costs		(173,724)	-
Repairs and maintenance		(1,040,825)	(696,716)
Contracted services		(286,173)	(42,082)
Grants and subsidies paid		(6,916,353)	(8,385,833)
General Expenses	17	(10,512,289)	(6,641,687)
Total expenditure		**(44,146,654)**	**(40,456,068)**
Operating surplus		**13,694,500**	**9,759,182**
Gain on disposal of assets and liabilities		-	4,507
Surplus for the year		**13,694,500**	**9,763,689**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	15,652,956	38,181,860	53,834,816
Adjustments			
Correction of errors	-	(3,020)	(3,020)
Balance at July 01, 2011 as restated	**15,652,956**	**38,178,840**	**53,831,796**
Changes in net assets			
Surplus for the year	-	9,763,689	9,763,689
Revaluation	(666,147)	-	(666,147)
Total changes	(666,147)	9,763,689	9,097,542
Opening balance as previously reported	14,986,809	48,040,541	63,027,350
Adjustments			
Prior year error	-	570,220	570,220
Balance at July 01, 2012 as restated	**14,986,809**	**48,610,761**	**63,597,570**
Changes in net assets			
Surplus for the year	-	13,694,500	13,694,500
Adjustments	(656,902)	-	(656,902)
Total changes	(656,902)	13,694,500	13,037,598
Balance at June 30, 2013	**14,329,907**	**62,305,261**	**76,635,168**

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		7,345,384	4,505,246
Sale of goods and services		11,279,646	28,141,420
Grants		39,778,964	20,279,846
Interest Recieved - Investment		1,079,886	754,332
		59,483,880	53,680,844
Payments			
Employee costs		(17,523,672)	(18,235,736)
Cash paid to suppliers		(22,498,041)	(17,002,135)
Finance costs		(106,983)	(44,640)
		(40,128,696)	(35,282,511)
Net cash flows from operating activities	22	**19,355,184**	**18,398,333**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(11,933,661)	(11,820,276)
Proceeds from sale of property, plant and equipment	4	-	199,047
Other cash item		8,660	-
Net cash flows from investing activities		**(11,925,001)**	**(11,621,229)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	(150,807)
Repayment of other financial liabilities		-	62,449
Other cash item		1,343	-
Net cash flows from financing activities		**1,343**	**(88,360)**
Net increase/(decrease) in cash and cash equivalents		**7,431,526**	**6,688,744**
Cash and cash equivalents at the beginning of the year		10,831,927	4,143,181
Cash and cash equivalents at the end of the year	9	**18,263,453**	**10,831,925**

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Licences and permits	2,800,000	-	**2,800,000**	3,182,723	**382,723**	
Commissions received	-	-	-	8,656	**8,656**	
Other income - (rollup)	209,400	-	**209,400**	361,844	**152,444**	
Interest received	570,000	-	**570,000**	1,079,886	**509,886**	
Total revenue from exchange transactions	**3,579,400**	-	**3,579,400**	**4,633,109**	**1,053,709**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,394,175	-	**6,394,175**	6,722,465	**328,290**	
Government grants & subsidies	37,736,000	-	**37,736,000**	46,451,280	**8,715,280**	
Transfer revenue						
Fines	80,000	-	**80,000**	34,300	**(45,700)**	
Total revenue from non-exchange transactions	**44,210,175**	-	**44,210,175**	**53,208,045**	**8,997,870**	
Total revenue	**47,789,575**	-	**47,789,575**	**57,841,154**	**10,051,579**	
Expenditure						
Personnel	(13,877,881)	-	**(13,877,881)**	(17,523,672)	**(3,645,791)**	
Remuneration of councillors	(3,868,475)	-	**(3,868,475)**	(3,869,385)	**(910)**	
Depreciation and amortisation	-	-	-	3,084,589	**3,084,589**	
Impairment loss/ Reversal of impairments	(2,110,000)	-	**(2,110,000)**	(31,093)	**2,078,907**	
Finance costs	(80,000)	-	**(80,000)**	(106,983)	**(26,983)**	
Debt impairment	-	-	-	(601,568)	**(601,568)**	
Collection costs	(200,000)	-	**(200,000)**	(173,724)	**26,276**	
Repairs and maintenance	(2,365,000)	-	**(2,365,000)**	(1,040,825)	**1,324,175**	
Contracted Services	-	-	-	(286,173)	**(286,173)**	
Grants and subsidies - Operational	(20,942,000)	-	**(20,942,000)**	(6,916,353)	**14,025,647**	
General Expenses	(7,005,709)	-	**(7,005,709)**	(16,681,467)	**(9,675,758)**	
Total expenditure	**(50,449,065)**	-	**(50,449,065)**	**(44,146,654)**	**6,302,411**	
Operating surplus	**(2,659,490)**	-	**(2,659,490)**	**13,694,500**	**16,353,990**	
Gain on disposal of assets and liabilities	278,000	-	**278,000**	-	**(278,000)**	
Surplus before taxation	**(2,381,490)**	-	**(2,381,490)**	**13,694,500**	**16,075,990**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2,381,490)**	-	**(2,381,490)**	**13,694,500**	**16,075,990**	

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	556,177	**556,177**	
VAT receivable	-	-	-	2,047,079	**2,047,079**	
Consumer debtors	-	-	-	2,895,113	**2,895,113**	
Cash and cash equivalents	120,000	-	**120,000**	18,263,453	**18,143,453**	
	120,000	**-**	**120,000**	**23,761,822**	**23,641,822**	
Non-Current Assets						
Investment property	-	-	-	1,158,000	**1,158,000**	
Property, plant and equipment	-	-	-	65,747,739	**65,747,739**	
	-	**-**	**-**	**66,905,739**	**66,905,739**	
Total Assets	**120,000**	**-**	**120,000**	**90,667,561**	**90,547,561**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	-	2,889,793	**2,889,793**	
Unspent conditional grants and receipts	-	-	-	9,946,577	**9,946,577**	
Provisions	-	-	-	1,196,014	**1,196,014**	
	-	**-**	**-**	**14,032,384**	**14,032,384**	
Total Liabilities	**-**	**-**	**-**	**14,032,384**	**14,032,384**	
Net Assets	**120,000**	**-**	**120,000**	**76,635,177**	**76,515,177**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	(4,597,607)	-	**(4,597,607)**	14,329,907	**18,927,514**	
Accumulated surplus	4,717,607	-	**4,717,607**	62,305,270	**57,587,663**	
Total Net Assets	**120,000**	**-**	**120,000**	**76,635,177**	**76,515,177**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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.

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.2 Significant judgements and sources of estimation uncertainty

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

1.3 Property, plant and equipment

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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	April 01, 2012	Immediate
• GRAP 26: Impairment of cash-generating assets	April 01, 2012	Immediate
• GRAP 104: Financial Instruments	April 01, 2012	Immediate

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 01, 2013	2014 Financial Year
• GRAP 25: Employee benefits	April 01, 2013	2014 Financial Year
• GRAP 105: Transfers of functions between entities under common control	April 01, 2014	2015 Financial Year
• GRAP 106: Transfers of functions between entities not under common control	April 01, 2014	2015 Financial Year
• GRAP 107: Mergers	April 01, 2014	2015 Financial Year
• GRAP 20: Related parties	April 01, 2013	2014 Financial Year
• IGRAP 11: Consolidation – Special purpose entities	April 01, 2014	2015 Financial Year
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 01, 2014	2015 Financial Year
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 01, 2014	2015 Financial Year
• GRAP 7 (as revised 2010): Investments in Associates	April 01, 2014	2015 Financial Year
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 01, 2014	2015 Financial Year
• GRAP 1 (as revised 2012): Presentation of Financial Statements	April 01, 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	April 01, 2013	
• GRAP 7 (as revised 2012): Investments in Associates	April 01, 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	April 01, 2013	
• GRAP 12 (as revised 2012): Inventories	April 01, 2013	
• GRAP 13 (as revised 2012): Leases	April 01, 2013	
• GRAP 16 (as revised 2012): Investment Property	April 01, 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	April 01, 2013	
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	April 01, 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	April 01, 2013	
• IGRAP16: Intangible assets website costs	April 01, 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	April 01, 2013	

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,158,000	-	1,158,000	1,158,000	-	1,158,000

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	1,158,000	1,158,000

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	1,668,000	(510,000)	1,158,000

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	9,415,368	(1,307,917)	8,107,451	8,381,501	(1,125,756)	7,255,745
Other Assets	4,822,026	(1,882,753)	2,939,273	4,370,437	(1,539,826)	2,830,611
Roads and Paving	31,228,159	(3,055,868)	28,172,291	26,805,647	(1,974,587)	24,831,060
Community Assets	30,095,160	(3,566,436)	26,528,724	24,201,398	(2,190,388)	22,011,010
Total	**75,560,713**	**(9,812,974)**	**65,747,739**	**63,758,983**	**(6,830,557)**	**56,928,426**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment reversal	Total
Buildings	7,255,745	1,033,866	(182,160)	-	8,107,451
Other Assets	2,830,611	583,522	(445,100)	(31,093)	2,937,940
Roads and Paving	24,831,060	4,422,512	(1,081,281)	-	28,172,291
Community Assets	22,011,011	5,893,761	(1,376,048)	-	26,528,724
	56,928,427	**11,933,661**	**(3,084,589)**	**(31,093)**	**65,746,406**

Reconciliation of property, plant and equipment restated - 2012

	Opening balance	Additions through entity combinations	Disposals	Transfers	Prior period error adjustments	Depreciation	Impairment loss	Total
Buildings	7,420,678	-	-	-	-	(164,933)	-	7,255,745
Furniture and fixtures	1,928,757	1,443,823	(194,540)	-	-	(347,429)	-	2,830,611
Raods and Paving	24,426,705	-	-	440,037	-	(35,682)	-	24,831,060
Other property, plant and equipment	3,757,551	8,080,980	-	(11,578,328)	(260,203)	-	-	-
Community Assets 30 Years	11,671,813	2,295,473	-	11,138,291	14,589	(1,795,490)	(1,313,666)	22,011,011
	49,205,504	**11,820,276**	**(194,540)**	**-**	**(245,614)**	**(2,343,534)**	**(1,313,666)**	**56,928,427**

All assets falling under category other assets as per accounting policy were reclassified to that category in the year ended 30 June 2012.

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. Land is stated at the values reflected in the valuation roll.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Employee benefit obligations

Compensation to accounting officer and other key management		
Post-employment benefits - Pension - Defined contribution plan	30,056	69,820

6. Receivables from exchange transactions

Payment In Advance	16,243	107,447
Other debtors	465,550	445,427
UMDM	74,384	43,876
	556,177	**596,750**

7. VAT receivable

VAT	2,047,079	594,247

8. Consumer debtors

Gross balances		
Rates	3,762,192	2,690,843
Less: Allowance for impairment		
Rates	(867,079)	(977,909)
Net balance		
Rates	2,895,113	1,712,934

Rates		
Current (0 -30 days)	300,225	168,070
30 days	246,227	106,775
60 days	244,257	152,551
90 days	225,244	189,711
120 days	243,727	136,585
150 days	205,014	151,585
180 days	2,297,498	1,785,566
Debtors Discounting	(265,511)	(265,511)
Provision for bad debts	(601,568)	(712,398)
	2,895,113	**1,712,934**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(977,909)	-
Contributions to allowance	110,830	(977,909)
	(867,079)	**(977,909)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. Cash and cash equivalents (continued)

Cash on hand /Float	371	401
Petty Cash	31	-
Standard Bank -Account number 052149978 - Current Account	517,872	285,472
Standard Bank -Account number 354264338 - Market Link	17,694,403	10,497,632
FNB - Account number 74104076952 - Bussiness Fixed Maturity Notice	50,776	48,422
	18,263,453	**10,831,927**

Standard Bank -Account number - 052149978 - Current Account
Standard Bank -Account number - 354264338 - Market Link
FNB - Account number - 74104076952 - Bussiness Fixed Maturity Notice

10. Revaluation reserve

Opening balance	14,986,809	15,652,956
Change during the year	(656,902)	(666,147)
	14,329,907	**14,986,809**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	2,289,152	1,639,574
Municiapl systems improvement grant	18,770	-
MAP	278,802	278,802
Community development worker	11,225	11,225
Corridor development	205,999	205,999
Financial management grant	32,707	73,549
Housing grant	444,068	444,068
Lums grant	46,537	46,537
Soul buddies	10,464	11,160
Sport grant	133,905	135,107
Pound	104,776	980,000
Electrification Grant	6,370,172	2,119,827
	9,946,577	**5,945,848**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Unspent conditional grants and receipts (continued)

Movement during the year

Municipal systems improvement grant		
Opening balance	-	263,086
Current year receipts	800,000	790,000
Conditions met - transfer to revenue	(781,230)	(1,053,086)
Conditions still to be met - transfer to liabilities	**18,770**	**-**

MAP		
Opening balance	278,802	364,432
Current year receipts	-	-
Conditions met - transfer to revenue	-	(85,630)
Conditions still to be met - transfer to liabilities	**278,802**	**278,802**

Community development workers		
Opening balance	11,225	11,225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	**11,225**	**11,225**

Corridor development		
Opening balance	205,999	205,999

Financial management grant		
Opening balance	73,549	335,965
Current year receipts	1,500,000	1,500,000
Conditions met - transfer to revenue	(1,540,842)	(1,762,416)
Conditions still to be met - transfer to liabilities	**32,707**	**73,549**

Housing grant		
Opening balance	444,068	468,105
Current year receipts	-	510,811
Conditions met - transfer to revenue	-	(534,848)
Conditions still to be met - transfer to liabilities	**444,068**	**444,068**

Lums grant		
Opening balance	46,537	46,537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	**46,537**	**46,537**

Municipal infrastructure grant		
Opening balance	1,639,574	-
Current year receipts	12,442,000	10,258,000
Conditions met - transfer to revenue	(11,792,422)	(8,618,426)
Conditions still to be met - transfer to liabilities	**2,289,152**	**1,639,574**

Soul buddies		
Opening balance	11,160	11,460
Current year receipts	-	-
Conditions met - transfer to revenue	(696)	(300)
Conditions still to be met - transfer to liabilities	**10,464**	**11,160**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Unspent conditional grants and receipts (continued)

Sport grant		
Opening balance	135,107	443,167
Current year receipts	150,000	150,000
Conditions met - transfer to revenue	(151,202)	(458,060)
Conditions still to be met - transfer to liabilities	**133,905**	**135,107**

Pound Grant		
Opening balance	980,000	980,000
Conditions met - transfer to revenue	(875,224)	-
Conditions still to be met - transfer to liabilities	**104,776**	**980,000**

Electrification		
Opening balance	2,119,827	-
Current year receipts	7,000,000	7,000,000
Conditions met - transfer to revenue	(2,749,655)	(4,880,173)
Conditions still to be met - transfer to liabilities	**6,370,172**	**2,119,827**

The nature and extent of government grants recognised in the annual financial statements are indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

Non-current liabilities	-	-
Current liabilities	9,946,577	5,945,848
	9,946,577	**5,945,848**

12. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Increase/ (Decrease)	Total
Provision For Leave	822,413	373,601	1,196,014

Reconciliation of provisions - 2012

	Opening Balance	Increase/ (Decrease)	Total
Provision for leave pay	1,355,598	(533,185)	822,413

The Leave and Bad Debt provision represents management's best estimate of the municipality's liability under one period based on prior experience .

13. Payables from exchange transactions

Trade payables	1,204,881	269,452
Creditors	-	117,442
Other creditors	307,188	177,342
Retention	1,377,733	1,560,448
	2,889,802	**2,124,684**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

14. Property rates

Rates received

Commercial	7,873,619	6,851,744
Less: Income forgone	(1,151,154)	(1,971,229)
	6,722,465	**4,880,515**

15. Government grants and subsidies

Operating grants		
Equitable share	28,180,000	23,866,000
Library - Grant Income	300,800	247,894
DSD - (Social Development - Grant)	-	64,414
Electrification Grant	2,749,655	4,880,173
Financial Management Grant	1,540,841	1,762,416
Housing Grant	-	534,848
MAP Grant	-	85,630
MIG	11,792,422	8,618,426
MSIG	781,229	1,053,086
Sports Grant	151,201	458,061
LGSETA	79,212	71,035
Pound Grant	875,224	-
Soul buddies	696	-
	46,451,280	41,641,983
	46,451,280	**41,641,983**

Equitable Share

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

16. Other income

Library Income	8,920	5,458
Clearance Certificates	15,519	15,123
Subscription Library	166	312
Tender Fees	67,876	41,930
Building Plans	106,223	80,299
Other income	-	8,816
Decrease in provision for bad debts	110,830	-
Other Revenue	5,060	133,000
Hall hire	-	320
Library fees	2,338	1,344
Social Welfare	26,043	-
Application fee (Planning)	18,869	-
	361,844	**286,602**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. General expenses

Stores and Materials	32,374	22,453
Advertising	181,180	114,812
Auditors Fees	1,437,910	864,234
Bank charges	-	104,308
Legal Expenses	168,202	206,569
Consumables	21,191	57,215
Valuation Fees	1,198,579	99,193
Discount allowed	-	315,440
Insurance	707,263	95,301
Community development and training	2,225,333	868,048
Conferences and seminars	143,073	84,496
IT expenses	310,799	275,238
Lease rentals on operating lease	70,704	89,757
Levies	400,000	104,052
Licence Renewal	11,649	15,876
Disaster Management	240,795	59,757
Fuel and oil	488,842	519,448
Postage and courier	37,411	23,163
Printing and stationery	179,320	305,676
Protective clothing	64,163	98,686
Security (Guarding of municipal property)	54,946	59,883
Telephone and fax	499,922	302,479
Training	378,450	414,451
Subsistence and travelling	30,714	32,855
Waste Management	11,910	119,307
Electricity	687,615	511,813
Uniforms	7,500	-
Tourism development	60,490	42,399
Art and Culture	202,985	201,854
Building Control	49,887	82,567
Sport and Recreation	473,278	-
Civic and Hospitality	131,273	141,573
Administration Expenses	4,531	-
Chemicals	-	181,191
Miscellaneous expenses	-	103,901
Stipend - Ward Councillors	-	228,000
	10,512,289	**6,745,995**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Employee related costs

Basic	11,184,375	10,449,193
Bonus	881,908	616,452
Medical aid - company contributions	607,455	541,990
UIF	105,518	230,645
WCA	-	6,844
SDL	144,972	132,295
Leave pay provision charge	899,129	677,179
Cell Phone Allowances	27,546	44,800
Post-employment benefits - Pension - Defined contribution plan	1,836,073	1,584,244
Travel, motor car, accommodation, subsistence and other allowances	133,160	252,000
Overtime payments	734,710	621,450
Acting allowances	118,065	37,064
Housing benefits and allowances	34,666	69,820
Bargaining Council Contributions	5,511	5,912
Stipend - Ward Committee	810,584	-
	17,523,672	**15,269,888**

Remuneration of municipal manager

Annual Remuneration	288,000	696,642
Travel Allowance	36,000	36,000
Back Pay	8,817	7,775
Miscellaneous	459,626	65,925
Leave Pay	70,334	123,202
Bonus	70,334	-
Cellphone Allowances	12,000	12,000
	945,111	**941,544**

Remuneration of chief finance officer

Annual Remuneration	-	556,301
Travel Allowance	-	55,000
Back Pay	-	6,474
Contributions to UIF, Medical and Pension Funds	-	34,188
Leave Pay	-	200,686
Cellphone Allowances	-	8,800
Acting allowance	60,827	1,692
	60,827	**863,141**

Remuneration of Manager of Community Services

Annual Remuneration	-	497,529
Travel Allowance	-	66,000
Back Pay	-	6,474
Contributions to UIF, Medical and Pension Funds	-	12,966
Acting Allowances	4,878	-
Cellphone Allowance	-	8,800
Housing Allowances	-	38,500
	4,878	**630,269**

Remuneration of Manager Technical Services

Annual Remuneration	300,000	410,800
Travel Allowance	60,000	40,000
Backpay	7,342	-

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	-	998
Miscelenious	352,911	-
Cell Allowance	9,600	-
Bonus	36,585	-
	766,438	**451,798**

Remuneration of Manager of Corporate Services

Annual Remuneration	359,800	568,801
Travel Allowance	37,160	55,000
Miscellaneous	49,117	-
Contributions to UIF, Medical and Pension Funds	-	1,477
Cellphone Allowance	5,946	8,800
Back Pay	-	6,474
	452,023	**640,552**

19. Remuneration of councillors

Mayor	630,982	593,547
Deputy Mayor	504,719	477,272
Exco Members	264,027	248,135
Speaker	504,719	477,272
Councillors	1,964,938	1,846,801
	3,869,385	**3,643,027**

20. Interest received

Interest Earned from investments	899,180	563,026
Interest charged on trade and other receivables	180,706	191,306
	1,079,886	**754,332**

21. Auditors' remuneration

Fees	1,437,910	864,234

22. Cash generated from operations

Surplus	13,694,500	9,763,689
Adjustments for:		
Depreciation and amortisation	3,084,589	2,434,762
Loss on sale of assets and liabilities	-	(4,507)
Impairment deficit	31,093	124,041
Debt impairment	601,568	-
Movements in provisions	373,601	-
Other non-cash items	-	260,203
Changes in working capital:		
Receivables from exchange transactions	40,573	1,065,476
Consumer debtors	(1,783,747)	(143,212)
Payables from exchange transactions	765,110	283,917
Other receivable	(1,452,832)	1,712,461
Unspent conditional grants and receipts	4,000,729	2,901,503
	19,355,184	**18,398,333**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

23. Capital Commitments

23.1. Commited in respect of Capital Expenditure

	2013	2012
Approved and contracted for :		
• Care Centre	109,291	137,074
• Community Infrastructure	3,059,247	1,080,596
• Municipal Building	2,165,936	283,145
• Electrification	6,370,172	2,119,827
	11,704,646	**3,620,642**

23.2. Approved and Not Contracted for

	2013	2012
• Care Centre	1,526,000	-
• Communicty Infrastructure	6,700,000	-
• Roads Infrastracture	6,250,000	-
	14,476,000	-

This committed expenditure relates to property and will be financed by available bank facilities, existing cash resources, funds internally generated, etc.

24. Contingency Liability - Wage Curve Agreement

In terms of GRAP 19, the municipality is required to disclose a contingency liability in the financial statements. Due to the fact that not all the posts on the munipality's organagram were evaluated, it made it impractical for the municipality to measure the cost of the liability reliably.

25. Prior period errors

The following adjustment were made to amounts previously reported in the Annual Financial statements of the Municipality arrising from the compliance to GRAP standards.

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

	2013	2012
Property ,Plant and Equipment		
Amount Previously Reported	58,332,040	-
Adjustments	(298,281)	-
	58,033,759	-

During the year the municipality discovered differences in the asset register that had been disclosed in the prior period.

	2013	2012
Accumulated Surplus		
Amount previously reported	48,188,140	38,167,272
Depreciation written back on assets	14,589	-
Adjustment assets	1,333	-
Adjustment	-	(3,020)
Payables From Exchange Transactions	(146,039)	-
Receivables From Exchange Transactions	107,447	-
VAT prior period	854,133	-
Creditors	(1,041)	-
	49,018,562	**38,164,252**

Accumulated Surplus : The adjustment is an effect on the accumulated surplus of the changes for property plant and Equipment fror prior year for the amount of R244 281.11,Payables From Exchange Transactions for the Amount of R146 039.00 and Recievabvles From Exchange Transactions for the amount of R107 447.

Movement in depreciation