



# ANNUAL REPORT 2012/2013



**“Creating a stable living environment and sustainable living conditions for all citizens”**



**LANGEBERG MUNICIPALITY**

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# ***Chapter 1***

## **Mayor's Foreword and Executive Summary**

We are very blessed to wake up every morning to great views of natural beauty within our picturesque Langeberg area, and that should be reason enough to be positive about the long-term prospects of the Langeberg Municipality. However, we still face many obstacles and challenges as we continue to grow Langeberg into one of the greatest municipalities within the country.

It has been one year since the inception of a Democratic Alliance-elected local authority, and I am proud to share our accomplishments with you. The political control of the Langeberg Municipality moved to the DA and a new Executive Mayoral Committee signalled a major shift in political direction, but also a change in the system of governance.

It should be noted that the DA came into power, following a devastating recession and the road to recovery has been slow as we faced many economic and fiscal challenges. But although we battled through a sluggish recovery, our priorities remained intact; to provide better services to our people.

The Langeberg Municipality achieved the highest accolade when it received a clean audit status from the Auditor General, for the 2011/2012 financial year. The municipality has undertaken appropriate action both from political and administrative heads to achieve this honour. All played a pivotal role in terms of compliance to systems put in place within the municipality. The hard work starts now to ensure that we maintain this status.

A new strategic direction necessitated a fundamental shift in perspective. The Mayoral Committee appointed two new directors to head up the Engineering and Strategic and Social Development Directorates. These new directorates have proven to assist the Mayco to stabilise and strengthen the management team of the municipality and helped us to refocus our approach to meeting the needs of our people. It is clearly paying off.

One year into governing the Langeberg Municipality and we are proud of our accomplishments. We have been making steady improvements to service delivery in essential services – in particular refuse removal, access to water and sanitation, clean drinking water and provision of electricity to households.

Overall, we have made a lot of progress towards achieving our objectives of setting the Langeberg Municipality on course for short- and long-term growth and development. We are committed to maintaining high levels of service delivery to all citizens of the Langeberg Municipal area.

The municipality's administration and the people that are part of it must take credit for the many ways in which we have touched the lives of the people of this area. On a daily basis staff of this municipality put our motto into action, and this Annual Report is testimony to our commitment to putting "people at the centre of development".

**Ald Diana Gagiano**  
**Executive Mayor**



## **Municipal Manager Foreword**

This past financial year, the Langeberg Municipality has been engaged in a restructuring process which resulted in the addition of two new directorates to its top structure. The new directorates, Engineering and Strategic and Social Development, were created to ensure an overarching, better coordinated, more efficient municipal management.

Under the new Engineering Directorate, a new department, the Project Management Unit (PMU), was also created. The need for this department was identified after the municipality noticed a lack in strategic direction during the planning stages of big infrastructural projects. The PMU has been mandated to oversee all capital expenditure projects and to ensure long-term sustainability from a holistic perspective.

The Auditor-General awarded the Langeberg Municipality with a clean audit for the 2011/2012 financial year, the first since the amalgamation of the five town-municipalities. This should bring assurance to all our citizens and other stakeholders that this municipality is in good hands and a foundation has been laid for solid financial management in the years ahead.

With a sharper focus and sense of purpose, we have made significant improvements towards the lives of the citizens of the Langeberg area. Some of our accomplishments during the 2012/2013 include the following;

### **Infrastructure development**

The municipality has implemented the Pavement Management System (PMS), which is a network level proposal for maintaining all tarred, paved and gravel residential streets within the Langeberg area. The system assesses the street networks based on methodical visual ratings and analysis of each street section.

The PMS system identified Muskadel Street, a high human traffic area in Ashbury, Montagu, as a critical street for rehabilitation. The upgrading of the 1.5 kilometre section commenced in May 2013 and will continue well into the new financial year.

### **Poverty alleviation and job creation**

Unemployment and a lack of skills development are two of the biggest problems hampering the economic growth of the Langeberg area. The municipality, together with the Expanded Public Works Programme (EPWP), and the Municipal Infrastructure Grant (MIG) have invested more than R12-million over the past financial year in job creation and skills development within the area. Over 400 new work opportunities were created and 70 full-time employees were employed through the municipality's EPWP programme.

The municipality is also committed to poverty alleviation initiatives and has made provision for indigent grants in its annual Budget. There has been budgeted for 6500 households to receive indigent grants, ensuring free basic services for the poor. We are serious about service delivery and each year we make more progress in the areas of social and economic development.

### **Environmental Services**

The repairing and rebuilding of the recycling plant, the Materials Recovery Facility (MRF) in Zolani, which was burned down after protest action in June 2012, has been concluded. This delay has hampered effective waste



management within the area as recycling had to be done manually. However, the MRF has been fully operational again, and is producing around five tons of recyclable material daily.

After the Bessieskop landfill site reached capacity in early 2013, the municipality build a new transfer station in Montagu to accommodate residents to dispose of their household waste, while also making provision for recycling at the facility. The station has been fully operational since June 2013 and the aim is to ensure effective waste management to reduce our carbon footprint.

### **Recreational facilities**

The construction of the R3.4 million library at Nkqubela has been completed and is another milestone project of which I was privileged to be a part of. The library, which was constructed over two phases, brings the total amount of libraries to ten fully operational libraries within the area.

### **Financial viability**

The municipality has maintained a steady collection rate and is set at an average of 97% over the 2012/2013 financial year. The municipality is financially stable and performed well in the year under review.

We have made progress in achieving our stated objectives within each of its defined priority areas. We acknowledge the fact that the municipality is still faced with major challenges but our priorities remain unchanged and are directed at addressing the root causes of these challenges.

Ultimately, our ability to realise these objectives means a better future, quality of life and better economic prospects of each and every person of the Langeberg area. We are committed to continuing the work to ensure that all citizens benefit, and enjoy the services and opportunities within our area.

It is my privilege to present this Annual Report to you.

**SA Mokweni**  
**Municipal Manager**

# ***Chapter 2***



## Overview of the Langeberg Municipal area

### We have a vision

*The Langeberg Municipality's vision is to strive for a unified, prosperous community where people are at the centre of development.*

To achieve this vision, the Langeberg Municipality has focused its efforts on a number of key priorities. This 2012/2013 Annual Report provides an overview of the challenges and achievements of the municipality over the past financial year as we strive to attain this vision.

The Langeberg Municipal area brings together people from all cultures from all over the country. The area's cultural diversity, scenic beauty, unique natural environment and rich agricultural possibilities make it one of the most attractive areas in the country – especially for tourists.

The Langeberg area consists of five towns – Ashton, Bonnievale, McGregor, Montagu and Robertson – and stretches over 3 332 square kilometres. The Langeberg Municipality is one of five local municipalities within the Cape Winelands District Municipality, and home to an estimated 97,724 people. Situated at the foot of the Langeberg mountains, the area is one of the largest wine-producing regions within South Africa.

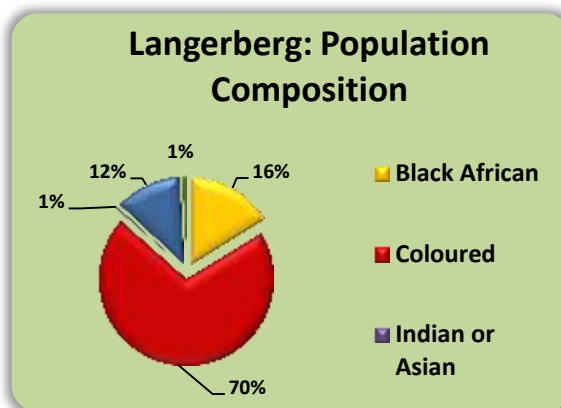
### Population

According to the 2011 census survey conducted by Statistics South Africa, Langeberg's demographics can be summarised as follows:

The Langeberg area has a population size of 97,724 persons, which means 12% of the people in the Cape Winelands District, and 2% of the people in the Western Cape reside within the Langeberg area. Coloureds (70%) are the largest population group by race, followed by black Africans (16%), and whites (12%). Females dominate the gender composition by 51% to 49% males.

### Population distribution by racial group

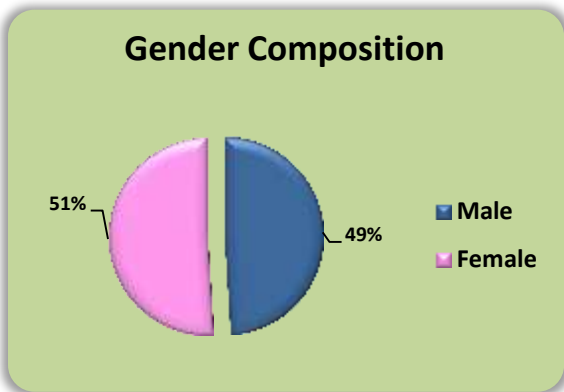
	Nr	%
Black African	15882	16
Coloured	68708	70
Indian or Asian	312	0
White	11983	12
Other	841	1
Grant Total	97724	100



### Langeberg - Gender Composition

	Grand Total	%	Black African	Coloured	Indian or Asian	White	Other
Male	47891	49	8130	33335	197	5686	543
Female	49834	51	7752	35373	114	6296	298
Grand Total	97724	100	15882	68708	312	11983	841

	%
Male	49
Female	51
Grand Total	100



### Economy of the Langeberg Municipal area

Manufacturing is currently the primary employing sector within the Langeberg area, followed closely by Agriculture and Wholesale and Retail trade, Catering and Accommodation. The Langeberg area lost 2846 jobs over a ten-year period, despite a 3.9% growth in the economy over the same period.

The highest contributing sectors to the Growth Domestic Product (GDP) within the area, are:

- Manufacturing (35.2%)
- Agriculture (20.7%)
- Wholesale and retail trade, catering and accommodation (11.5%)
- Finance, insurance, real estate and business services (10.6%)
- Transport, storage and communication (7.5%)
- Building and Construction (2.9%)

The Langeberg area's GDP was R3.9 billion in 2010, which led to an 11.5% contribution to the Cape Winelands District's GDP in 2012. Langeberg experienced a real GDP growth of 5.1% in the years 2000 – 2010.

(*Western Cape Treasury, 2012*)

## Official Employment Status

According to Statistics South Africa, the official unemployment figure for the Langeberg area is estimated at 5%, however, it should be noted that the “Other not economically active” participants amounts to an overwhelming 24%. When compared to the average monthly income, a staggering 33,178 people, or 34% has no monthly income. Furthermore, half of the population receives less than R1600 per month, making the dependency on the municipality for basic services a great concern. The Annual Household Income statistics paint a slightly better picture as 6244 households, or 24.85% earn between R19 601 and R38 200.

In terms of youth unemployment, 15.1% of persons aged between 15-34 in the Langeberg area are unemployed.

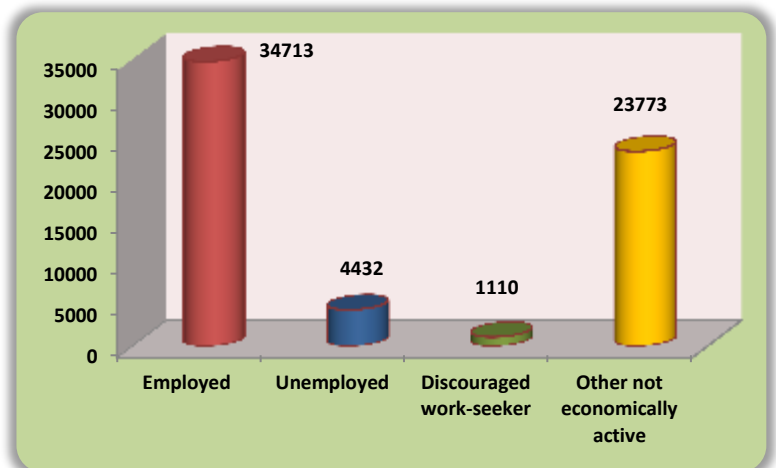
It is important to understand the definition of unemployment for the purposes of this report. Statistics South Africa defines unemployment as those people aged between 15-65 who:

- Did not work during the 7 days prior to 10 October (when the census commenced);
- Want to work and are available to start work within a week of the interview; and
- Have taken active steps to look for work or to start some form of self-employment in the 7 days prior to 10 October.

It is therefore important to note that persons who have become discouraged from seeking work, or who no longer take active steps to find work, are not classified as unemployed. It is thus likely that unemployment figures are higher than that provided in these statistics.

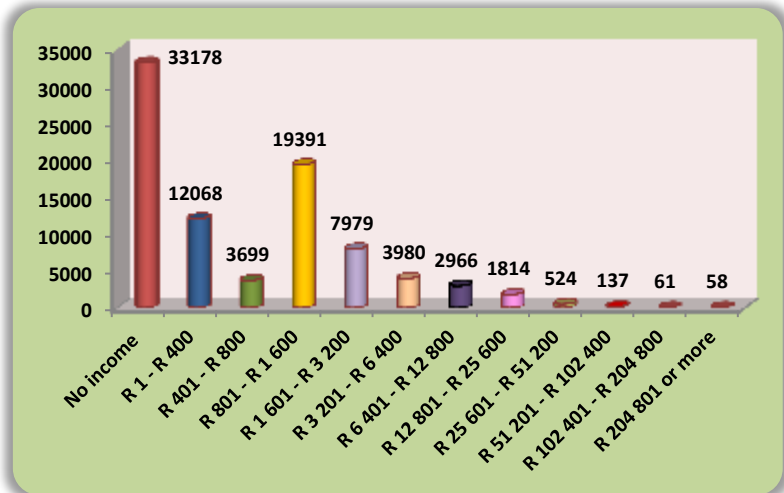
Another concern to note is the time of year when the census was conducted. In the Langeberg area, many people are employed only during seasonal times. Employment data can thus be misleading depending on the time of year the census was conducted.

	Nr	%
Employed	34713	36
Unemployed	4432	5
Discouraged work-seeker	1110	1
Other not economically active	23773	24
Age less than 15 years	-	-
Not applicable	33697	34
Grand Total	97724	100



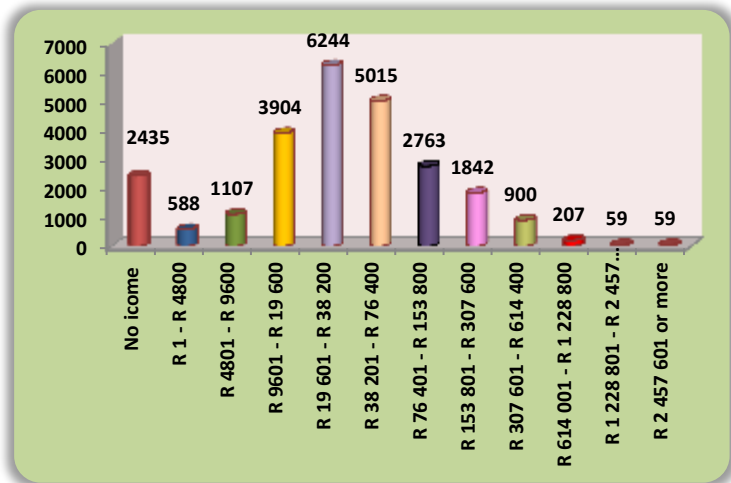
### Individual Monthly Income

	Nr.	%
No income	33178	34
R 1 - R 400	12068	12
R 401 - R 800	3699	4
R 801 - R 1 600	19391	20
R 1 601 - R 3 200	7979	8
R 3 201 - R 6 400	3980	4
R 6 401 - R 12 800	2966	3
R 12 801 - R 25 600	1814	2
R 25 601 - R 51 200	524	1
R 51 201 - R 102 400	137	0
R 102 401 - R 204 800	61	0
R 204 801 or more	58	0
Unspecified	9593	10
Not applicable	2276	2
Grand Total	97724	100



### Annual household income

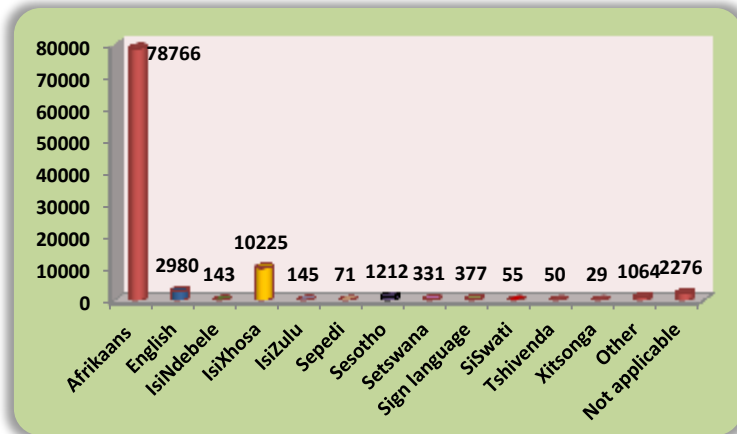
	Nr	%
No income	2435	9.69
R 1 - R 4800	588	2.34
R 4801 - R 9600	1107	4.41
R 9601 - R 19 600	3904	15.54
R 19 601 - R 38 200	6244	24.85
R 38 201 - R 76 400	5015	19.96
R 76 401 - R 153 800	2763	11
R 153 801 - R 307 600	1842	7.33
R 307 601 - R 614 400	900	3.58
R 614 001 - R 1 228 800	207	0.82
R 1 228 801 - R 2 457 600	59	0.23
R 2 457 601 or more	59	0.24
	25123	



### Langeberg - Language

The language of preference for people from the Langeberg area is Afrikaans (81%), isiXhosa (10%), while three percent of the population prefers to speak English.

	Nr	%
Afrikaans	78766	81
English	2980	3
IsiNdebele	143	0
IsiXhosa	10225	10
IsiZulu	145	0
Sepedi	71	0
Sesotho	1212	1
Setswana	331	0
Sign language	377	0
SiSwati	55	0
Tshivenda	50	0
Xitsonga	29	0
Other	1064	1
Not applicable	2276	2
Grand Total	97724	100



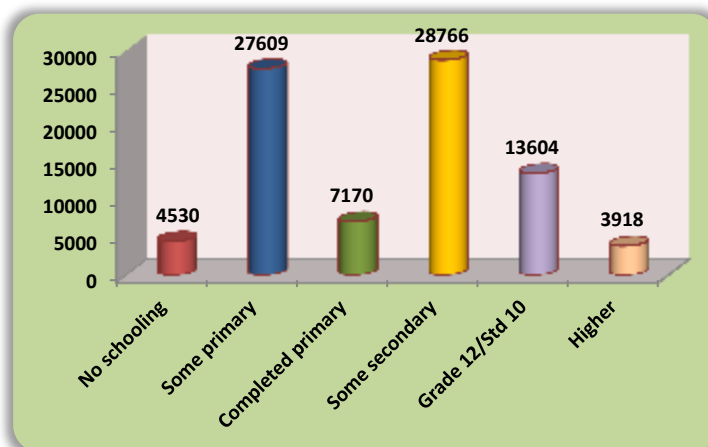
### Schooling within the Langeberg

Economic growth is reliant on a sufficiently trained workforce, particularly if economic diversification is required for that growth. In terms of schooling, 5% of residents above the age of 20 in the Langeberg area had no schooling which is significantly better than during the 2001 census where 12% of the population had no schooling. In 2011, 16% of the population had matric, with 5% having received higher education. However, while matric levels have improved since 2001, the higher education levels decreased slightly.

When broken down further, it is noted that more than 27,000 people have no education above primary level, with only 7170 who have completed primary schooling. These people are likely to find work above that of manual labouring. In contrast, the 5% people who have received higher education is likely to find opportunities in higher paying jobs.

### Education

	Grand Total	Grand Total
No schooling	4530	5
Some primary	27609	32
Completed primary	7170	8
Some secondary	28766	34
Grade 12/Std 10	13604	16
Higher	3918	5
Grand Total	85597	100





## Access to services

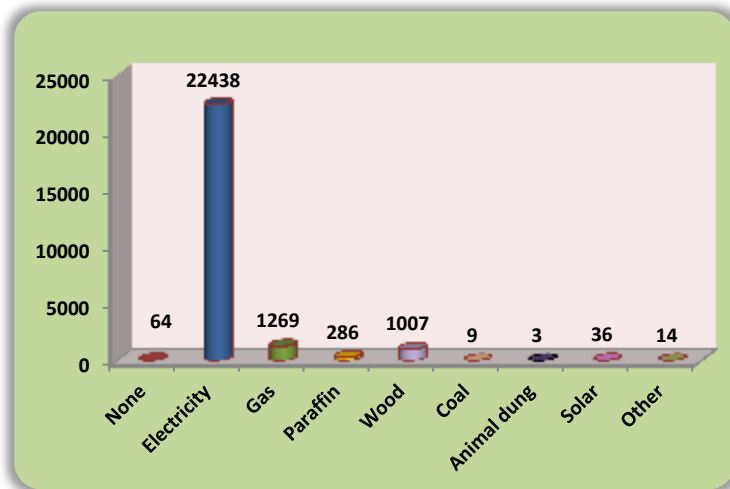
The majority of homes within Langeberg are well serviced with water, electricity and sanitation services.

## **Energy**

89% of households within the Langeberg municipal area use electricity for cooking, while 70% uses electricity for heating. The municipality has committed itself to energy efficiency with the municipal area, through increasing capacity, upgrading networks and replacing out-dated electricity lines to reduce electricity loss.

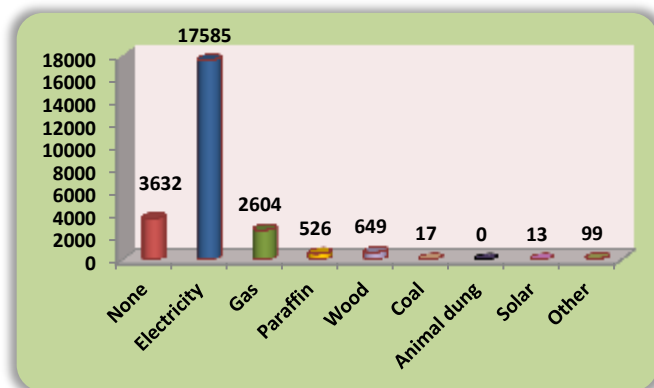
### **Energy for cooking**

	Nr	%
None	64	0
Electricity	22438	89
Gas	1269	5
Paraffin	286	1
Wood	1007	4
Coal	9	0
Animal dung	3	0
Solar	36	0
Other	14	0
Grand Total	25125	100



### **Energy for heating**

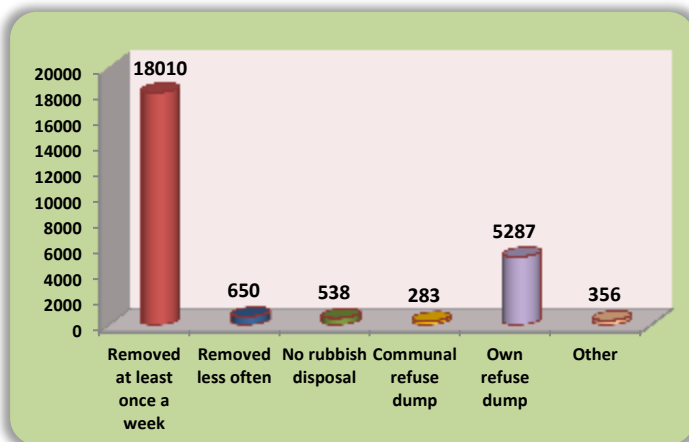
	Nr	%
None	3632	14
Electricity	17585	70
Gas	2604	2
Paraffin	526	3
Wood	649	10
Coal	17	0
Animal dung	-	-
Solar	13	0
Other	99	0
Grand Total	25125	100



## Refuse disposal

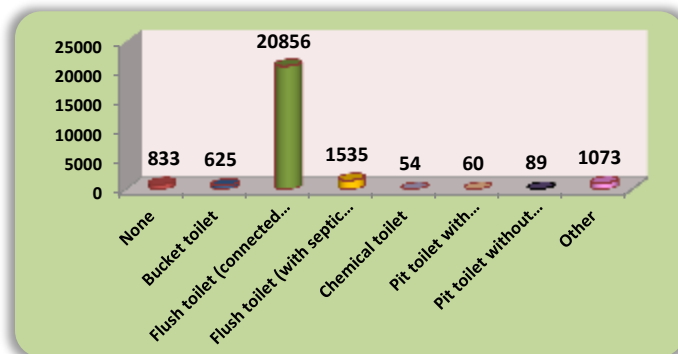
At least 72% of the households within the Langeberg area's refuse are removed at least once a week, while 21% of households make use of a communal refuse dump. 83% of households make use of a flush toilet that's connected to a sewerage system while 3% make use of a bucket toilet.

	Nr	%
Removed at least once a week	18010	72
Removed less often	650	3
No rubbish disposal	538	1
Communal refuse dump	283	21
Own refuse dump	5287	2
Other	356	1
Grand Total	25125	100



### Toilet facilities

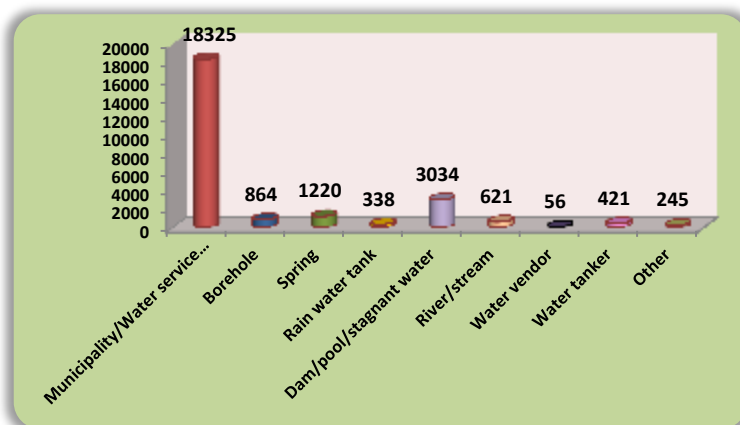
None	833	3
Bucket toilet	625	83
Flush toilet (connected to sewerage system)	20856	6
Flush toilet (with septic tank)	1535	0
Chemical toilet	54	0
Pit toilet with ventilation (VIP)	60	0
Pit toilet without ventilation	89	2
Other	1073	4



### Source of water

73% of households within the Langeberg area have access to municipal or service provider water with the rest of the households sourcing water coming from dams, rivers, tankers, etc. A number of interventions have been started within the Langeberg area to aid water security, including a water purification plant in Montagu and other developments to supplement the water demand. The upgrading and enlargement of the water purification plant in Ashton is in a planning phase.

	nr	%
Municipality/Water service provider	18325	73
Borehole	864	3
Spring	1220	5
Rain water tank	338	1
Dam/pool/stagnant water	3034	12
River/stream	621	2
Water vendor	56	0
Water tanker	421	2
Other	245	1
Not applicable	-	-
Grand Total	25125	100



# *Chapter 3*

## Basic Service Delivery

Ref nr	Strategic objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At 30 June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
2	Social and Community Development	Compile a mobile library services/wheelie wagons needs analysis and implementation plan	% Completed	New performance indicator for 2012/13	100%	100%	G		
3	Social and Community Development	Lodge library awareness programmes through exhibitions and projects	Number Of exhibitions per month	10	432	488	G 2	As per monthly report	
4	Promote Public Safety	Steel Fencing For Traffic Offices At Robertson And Ashton	Number of projects	New performance indicator for 2012/13	2	2	G		
6	Promote Public Safety	Road safety awareness education for the community	Number of sessions	8	12	20	B		
7	Promote Public Safety	Optimal collection of fines issued for the financial year	% of fines collected	15%	20%	0%	R	Being considered.	An agreement was signed on 16 July 2013 in order to try and improve the payment of fines.
8	Promote Public Safety	Law Enforcement initiative and safely home programmes to decrease incidents affecting traffic safety	Number of road blocks	12	12	39	B	Various road blocks were held in the 5 towns with the SAPS and Provincial Traffic	
21	Provision of a clean environment	Obtain waste licence for Stockwell landfill site	Number of licences	New performance indicator for 2012/13	1	0	R	Expended R384 874.26 from a budget of R384 874.26 ( BA in Process)	Project still in process. Basic Assessment for Stockwell
22	Provision of a clean environment	Upgrade Transfer Stations Robertson and McGregor to separate waste and measure the volume	% completed	New performance indicator for 2012/13	100%	100%	G		
23	Provision of a clean environment	Provide wheelie bins to implement the waste minimisation strategy	Number of bins allocated	1200	1,200	1,690	G 2		
24	Provision of a clean environment	Upgrade existing landfill infrastructure to comply with Record of Decision (ROD) permit conditions (landfill equipment)	Number of projects	New performance indicator for 2012/13	1	1	G	R772 000 expended from budget or R772 000.00 Project completed	
25	Provision of a clean environment	Upgrade existing vehicle to accommodate collection of wheelie bins (waste removal equipment)	% Completed	7 new skips	100%	100%	G		

Ref nr	Strategic objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At 30 June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
26	Provision of a clean environment	Investigate legal compliance of Robertson compost site by end March	By end March	New performance indicator for 2012/13	1	1	G		
27	Provision of a clean environment	Integrated waste management awareness campaign	Number of campaigns	1	1	1	G	Waldorf School visit MRF	
28	Provision of a clean environment	Report quarterly on compliance with the National Waste Management Strategy	Number of reports	4	4	4	G		
29	Provision of a clean environment	Revise the existing waste management by-law by end June	Number of by-laws	New performance indicator for 2012/13	1	1	G		
31	Promote Public Safety	Review of fire protection plan by end March	Plan reviewed	Reviewed in October	1	1	G	Fire Protection plan revised and submitted for inclusion in the IDP document	
32	Promote Public Safety	Reaction time to emergencies to fire brigade services act (< 13 minutes) average response time	% Within 13 minutes	80%	80%	80%	G		
33	Promote Public Safety	Annual review and submission of the Disaster Management Plan for assessment by the District by end May	Plan reviewed	Reviewed in October	1	1	G	Plan submitted for inclusion in the IDP	
34	Provision of a clean environment	Annual external audit of landfill site and recycling plant - Ashton by end June	Number of audits	Done in 11/12	1	1	G	Completed. Montagu Landfill replaced with Transfer Station	
35	Energy efficiency for sustainable future	Management of electrical provisioning system	% of electricity unaccounted for	7.50%	7.50%	8.43%	R	Losses are due to technical and administrative problems/ faults.	Audit of 80 bulk meters were completed in June 2013. On-going investigation of No Sale Report for prepaid meters. The information is being provided by the finance department to check all the prepaid metres
37	Energy efficiency for sustainable future	Development of an electricity maintenance plan	% completion	No existing formal maintenance plan	100%	0%	R	Not completed due to shortage of personnel	Awaiting appointment of technical personnel
49	Sustainable civil engineering infrastructure services	Limit unaccounted water	% of water unaccounted for	19%	20%	23.67%	R	Monthly report	Master plan in process of being compiled. Master plan will include a Pipe Replacement



Ref nr	Strategic objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At 30 June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
									Program to start reducing pipe bursts and water losses.
51	Sustainable civil engineering infrastructure services	Complete new and upgrade existing water storage facilities	Number of projects	New performance indicator for 2012/13	2	1	R	Completion certificate issued by the Dept: Administration	The actual target is filled in incorrectly. We have completed the storage facilities in both McGregor (Vaal Dam) as well as in Robertson (Gum Grove Dam). One project was done by Civil Engineering: West and the other by CE: East. Reporting only one project to be complete is a mistake.
54	Sustainable civil engineering infrastructure services	Microbiological quality of water to comply with SANS standards	% of water quality	89%	90%	89.7%	O		Personnel have undergone training and upgrading of water treatment plants are planned
55	Sustainable civil engineering infrastructure services	Water awareness campaigns	Number of campaigns	1	1	0	R	No awareness campaigns were held	Water awareness campaigns are planned for next year
56	Sustainable civil engineering infrastructure services	Review by-law of water provision on private owned land	Number of by-laws	New performance indicator for 2012/13	1	1	G		
57	Sustainable civil engineering infrastructure services	Piped water inside dwelling	Number of households	14081	14,081	14,211	G 2		
58	Sustainable civil engineering infrastructure services	Piped water inside yard	Number of households	164	164	27	R	Stats finance dept.	Installation of more connections are planned
59	Sustainable civil engineering infrastructure services	Using public tap	Number of households	845	845	926	G 2		
62	Sustainable civil engineering infrastructure services	Upgrade of existing Waste Water Works	Number of projects	New performance indicator for 2012/13	1	1	G		
63	Sustainable civil engineering infrastructure services	Quality of effluent in terms of SANS standards	% quality of effluent	80%	80%	72.91%	O	AL Abbot results	Upgrading of WWTW in Robertson is underway and upgrading of the plant in Montagu is planned for 2015/16

Ref nr	Strategic objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At 30 June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
66	Provision of a safe and efficient road network	Reseal of prioritised roads	square meters resealed	12000	60000	928.84	R	The funds available for the resealing of roads, were used for the rehabilitation of Muskadel Road in terms of the Pavement Management System	Roads will be resealed in the next financial year
67	Sustainable civil engineering infrastructure services	Maintenance of storm water canals, catch pits and pipes	Number of manholes	New performance indicator for 2012/13	1,140	1,464	B		
68	Sustainable civil engineering infrastructure services	Develop a vehicle replacement strategy	% completed	New performance indicator for 2012/13	100%	0%	R	Due to the retirement of the Manager, the strategy has not been developed	The strategy will be completed in the next financial year
89	Social and Community Development	Develop an integrated sport development strategy by end June	Strategy completed	New performance indicator for 2012/13	1	1	G	Draft submitted to Council in June 2013	
90	Provision of a clean environment	Upgrade the existing cemeteries	Number of projects	1 new cemetery	2	2	G		
91	Social and Community Development	Upgrade the sport facilities	Number of projects	2 Projects - Happy Valley and Zolani	2	2	G		
92	Social and Community Development	Develop a sport and recreation safety plan	Plan developed	New performance indicator for 2012/13	1	1	G	Draft is available	For submission to Council in July
93	Social and Community Development	Installation of separate water supply Robertson North	% Completed	New performance indicator for 2012/13	100%	100%	G		
94	Social and Community Development	Develop a swimming pool security and safety plan	Plan developed	New performance indicator for 2012/13	1	1	G	Draft is available	For submission to Council in July
96	Social and Community Development	Develop a community hall safety evacuation plan	Plan developed	New performance indicator for 2012/13	1	1	G	Safety evacuation plans were developed for all the halls	
97	Social and Community Development	Establish an advisory committee for Montagu and Robertson nature reserves by end March	Number of committees	New performance indicator for 2012/13	1	1	G	Committee appointed	
98	Sustainable integrated human settlement	Transfer of rental/ RDP housing stock	Number of units transferred	360 houses transferred during 2011/12	150	124	O	Quarter 1 - 14 Quarter 2 - 23 Quarter 3 - 42 Quarter 4 - 45	The Manager: Housing has entered into discussions with the Conveyancers to speed up the conveyance of Title Deeds.

Ref nr	Strategic objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At 30 June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
99	Sustainable integrated human settlement	Submit applications for the selling of pre 1994 rental housing stock	Number of applications submitted	New performance indicator for 2012/13	100	36	R	Pre 1994 rental stock sold in Ashton, Montagu, Nkqubela, Robertson & Bonnievale	A door to door campaign for the selling of rental stock is planned. All complete applications will be sent to DHS.
100	Sustainable integrated human settlement	Installation of services for new housing sites	Number of serviced sites	16 sites serviced during 2011/12	92	80	O	All services are installed in each housing project for 2012/13	
101	Sustainable integrated human settlement	Rectification of RDP houses	Number of houses rectified	New performance indicator for 2012/13	30	0	R	Still awaits approval from DOHS for the rectification application that has been submitted	Still awaits approval from DOHS for the rectification application that has been submitted.
102	Sustainable integrated human settlement	Building of housing unit top structures	Number of top structures build	220	108	73	R	March: Bonnievale - 16 Top structures completed; Cogmanskloof - 73 Infill; Project - 61 Top structures completed and 17 houses were handed over	ASLA are busy with completion of the other 31 top structures for April/May 2013
								April: Top Structures completed: Bonnievale - 16; Cogmanskloof - 29	April: Top Structures completed: Bonnievale - 16; Cogmanskloof - 29
								May: Top structures completed and handed over (14) Zolani Triangle - 11 Ashton Cogmanskloof - 3	Top structures completed and handed over for May 2013 (14) Zolani Triangle - 11
								June: Top structures completed and handed over Zolani 6, Cogmanskloof 3	Top structures completed and handed over for June 2013: Zolani 6, Cogmanskloof 3
104	Sustainable integrated human settlement	Processing of land use applications within 120 days after receipt of all outstanding and relevant information and documents	% of applications evaluated	100%	100%	83%	O	Applications can only be processed after receipt of all relevant comments/information and documentation	Applications can only be processed after receipt of all relevant comments/information and documentation
105	Sustainable integrated human settlement	Review of the Spatial Development Framework	% completed	Draft SDF submitted to Province	50%	10%	R	In process of completion	Consultant has been appointed. Inception report reviewed
106	Sustainable integrated human settlement	Review of zoning scheme regulations	% completed	Draft submitted to PAWC	100%	75%	O	75% of the zoning scheme regulations completed. In process of total completion	DEADP is currently reviewing the regulations
107	Sustainable integrated human settlement	Research and compile report with results and recommendations for the development of Housing pipeline	Report completed	New performance indicator for 2012/13	1	1	G	One housing pipeline report has been compiled and approved	
108	Social and Community Development	Develop a youth strategy by end December	Strategy developed	New performance indicator for 2012/13	1	1	G	Youth strategy finalised	

## Good Governance and Public Participation

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
18	Good Governance	Review Language policy	% Completed	New performance indicator for 2012/13	100%	100%	G		
85	Good Governance	Risk based audit plan approved annually	Plan approved	100%	100%	100%	G	RBAP were approved at the Audit Committee meeting on 6 June 2013	
86	Good Governance	Quarterly report on progress made with the implementation of the Risk Based Audit Plan (RBAP)	Number of reports	4	4	4	G	Quarterly report discussed at the Audit Committee meeting held 6 June 2013	
87	Good Governance	Develop an action plan to address the top 10 municipal risks	Number of plans	New performance indicator for 2012/13	1	1	G	RBAP included all the risks identified as per the risk register. Top risks were included in the plan	
88	Good Governance	Internal and external anti-corruption awareness initiatives	Number of initiatives	New performance indicator for 2012/13	1	1	G	Discussion with Donovan Swanson (Province) regarding the awareness campaign. Posters were requested and printed. Will be distributed during July 2013	
121	Good Governance	Implement an individual performance management system up to supervisor level	Implementation up to Assistant manager level	New performance indicator for 2012/13	25	31	G 2		
124	Good Governance	Development of an internal communication system - intranet	Intranet developed and launched	New performance indicator for 2012/13	1	1	G	Intranet system developed, not yet operational	Still need to present to SMT for implementation
125	Good Governance	Create a database of contact details of citizens	Database developed	New performance indicator for 2012/13	1	1	G		
126	Good Governance	Develop a public participation policy	Policy completed	New performance indicator for 2012/13	1	1	G		
127	Good Governance	Establishment of an IDP forum	Number of forums	New performance indicator for 2012/13	1	1	G	Langeberg forms part of the District's initiative	Langeberg forms part of the District's initiative

## Local Economic Development

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
109	Growth and economic development	Development of a comprehensive LED strategy	Strategy completed	Current Strategy	1	1	G	The Draft was delivered by the Service Provider on 14 June 2013	
110	Growth and economic development	Establishment of a Langeberg Economic Development Agency	Agency established	New performance indicator for 2012/13	1	0	R	Report on the proposed Terms of Reference will be submitted in July 2013	Report on the proposed Terms of Reference will be submitted in July 2013
111	Growth and economic development	Promote entrepreneurial skills	Number of SMME's trained/ mentored	20	20	83	B	Capacity building engagements with service provider as well as with SMME's were conducted, but no formal training took place. A pre assessment workshop was held to prepare the SMME's to be taken up by the services Seta for skills development	This opportunity was as a result of the services Seta programmes.
113	Growth and economic development	Arts and culture development	Number of artists trained/ mentored	40	100	111	G 2		
114	Growth and economic development	Implementation of the expanded public works programme	Number of temporary job opportunities created	133	240	480	B	Appointees for recycling project  The contracts of the ward projects were extended to August 2013	All the other contracts have been extended. Over performance is as a result of the extension of the ward projects
115	Growth and economic development	Implementation of community works programmes	Number of programmes	New performance indicator for 2012/13	12	0	R	This programme is a national programme and Council requested that presentations be done to councillors to mitigate the misunderstanding on how this programme actually works.	The council resolution was sent to province who is the driver of this project, articulating its position and suggestions on the programme, before it is implemented in the Langeberg.
116	Growth and economic development	Annual review and update of MOU with the Local Tourism agencies	Number of MOU's	3	3	3	G		
117	Growth and economic development	Development of a Tourism Strategy by end June 2013	Strategy completed	New performance indicator for 2012/13	1	0	R	Referred to WESGRO for assistance	Referred to WESGRO for assistance



Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
118	Growth and economic development	Empowering of farming communities through skills development initiatives	Number of skills development initiatives	New performance indicator for 2012/13	4	7	B	Life Skills Training to 3 areas, namely: Voorspoed, Vinkrivier, Onder-Noree, Riverside, Nerina, Goedereede: Tersia, Versameling, Eikenhof, Leeuwhoek, Bo-plaas, Biesiepol Bon Courage, Klipboslaagte, Saratoga, Lucerne Educational equipment was distributed to 7 crèches Life Skills training were done with youth in the Excelsior, Keisie and Uitnood areas.	
119	Growth and economic development	Implementation of rural development programmes	Number of programmes	New performance indicator for 2012/13	8	12	B	The provincial Farm Worker Sports day took place in Paarl on 18 May 2013. Farms got Talent: The final round of the Langeberg region took place on 4 May 2013 Handed over a donation of books to the rural libraries. Farms got Talent final round held on the 15 June 2013.	

## Municipal Financial Viability and Management

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
69	Sound Financial Management	Annual review of SCM policy in line with legal requirements	% completed	100%	100%	100%	G	Supply Chain Policy has been reviewed	
70	Sound Financial Management	Timeous submission of financial statements	% of target achieved	100%	100%	100%	G		
71	Sound Financial Management	Review all legislative required budget implementation policies	Number of policies	7	7	7	G		
72	Sound Financial Management	Financial viability measured in terms of the available cash to cover fixed operating expenditure	Cost coverage (Available cash+ investments)/ Monthly fixed operating expenditure	1.7	1.7	2.02	G 2	Measures were put in place to increase the cost coverage	
73	Sound Financial Management	Financial viability measured in terms of the municipality's ability to meet its service debt obligations	Debt coverage ((Total operating revenue- operating grants received)/debt service payments due within the year)	31	31%	57%	B	Bigger coverage of debt (Interest and redemption)	
74	Sound Financial Management	Financial viability measured in terms of the outstanding service debtors	Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	8.7	8.70%	12.64%	G 2	A Task Team has been appointed to reduce outstanding debtors	
75	Sound Financial Management	Achievement of a payment percentage of at least 97%	Payment %	97%	98%	99%	G 2	Task team focuses on improving the collection rate. The appointment of collection company is underway.	The task team assists with credit control which improves the collection rate.
76	Sound Financial Management	Complete Supplementary Valuation Roll	Number of supplementary valuation rolls	1	1	2	B		
78	Sound Financial Management	Maintain the asset register in terms of GRAP standards	% achieved	100%	100%	100%	G	Asset register is maintained in terms of GRAP.	
79	Sound Financial Management	Maintain an unqualified audit opinion	% achieved	100%	100%	100%	G		

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
80	Sound Financial Management	Valuation of farms per usage	% completed	New performance indicator for 2012/13	100%	0%	R	Financial system must still be adjusted to accommodate more than one tariff per property. Each farmer will be valued according to usage of the farm during 2013/14.	Financial system must still be adjusted to accommodate more than one tariff per property. Each farmer will be valued according to usage of the farm during 2013/14
81	Sound Financial Management	Provision of 6kl free basic water per indigent household per month in terms of the equitable share requirements	Number of HH receiving free basic water	8000	7,000	6,229	O	HH qualifying for indigent support all receive 6kl free basic water.	Indigents and informal settlements
82	Sound Financial Management	Provision of free basic sanitation to indigent households in terms of the equitable share requirements	Number of HH receiving free basic sanitation	8000	7,000	6,355	O	HH qualifying for indigent support all receive free basic sanitation.	Indigents and informal settlements
83	Sound Financial Management	Provision of 50kwh free basic electricity per indigent household per month in terms of the equitable share requirements	Number of HH receiving free basic electricity	8000	7,000	6,635	O	HH qualifying for indigent support all receive 50kwh free basic electricity	Indigents and informal settlements
84	Sound Financial Management	Provision of free basic refuse removal to indigent households in terms of the equitable share requirements	Number of HH receiving free basic refuse removal	8000	7,000	6,366	O	HH qualifying for indigent support all receive free basic refuse removal.	Indigents and informal settlements

# Municipal Transformation and Institutional Development

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
9	Institutional Development and Corporate governance	Vacancy rate	% Vacancy rate	9%	10%	6.97%	B	As on 30 June 2013 691 budgeted posts were filled out of 742 posts that calculates to 6.9%	
10	Institutional Development and Corporate governance	Skills development	% Of personnel budget used for skills development	1%	1%	1%	G	As per budget. 100% of our skills development budget was spent	
11	Institutional Development and Corporate governance	Review of HR policies	Number Reviewed	3	2	3	B	Three policies namely, leave policy, relocation policy and internal bursaries for councillors were presented during the year of which one was presented in June 2013	
12	Institutional Development and Corporate governance	Identify employees for ABET levels 1-5 training	Number Of employees per annum	23	25	39	B	16 Employees started with their preparation classes for Grade 12. Their exams will take place during May and June 2013. Although the sixteen have not finished, they will move to the next financial year, as the previous 23 did.	
13	Institutional Development and Corporate governance	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number Of people	1	1	3	B		
14	Institutional Development and Corporate governance	Implementation of the Batho Pele organisational strategy	No of initiatives	1	1	2	B	Report has been submitted	
15	Institutional Development and Corporate governance	Development of a strategy to inform the communities their role in local government	% Developed	100%	100%	100%	G	Strategy has been written and submitted	
16	Institutional Development and Corporate governance	Execution of a customer satisfaction survey	% completed	New performance indicator for 2012/13	100%	100%	G	Report has been written	
17	Institutional Development and Corporate governance	Alterations / Upgrading of municipal offices	% Completed	100%	100%	99.51%	O	Upgrading work has been finalized	Upgrading work has been finalized

Ref	Strategic Objective	KPI	Unit of Measurement	Baseline	Year-To-Date As At June 2013				
					Target	Actual	R	Performance Comment	Corrective Measures
19	Institutional Development and Corporate governance	Wellness program	Annual wellness day	New performance indicator for 2012/13	1	3	B	<p>One hundred and eleven employees attended a session on financial planning by Standard Bank on 25 April 2013</p> <p>The municipality could not present a wellness day for reasons as previously mentioned. However 3 sessions of wellness was presented during the year, which includes training on financial management to Supervisors by Capitec Bank as well as sessions from ABSA and Standard Bank to help employees with their financial planning. The company Spectrifin assisted our employees with debt counselling. Employees were also sent for alcohol rehabilitation and we allow employees to sell their leave for funeral purposes, study loans, etc. All these measures contribute to employee wellness.</p>	



# ***Chapter 4***

## HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

### 1. Personnel Services

Personnel Services form an integral part of the Corporate Services' and Langeberg Municipality's service delivery success. Operational efficiency and professionalism is of utmost importance, especially how the department is managed and how it functions. The department is responsible for the key areas discussed below.

### 2. Recruitment and Selection

During 2012/13 the department focused on turn-around time in recruitment and selection processes and procedures. As such, an improvement in performance was notable, with **102** posts been advertised, of which **95** were filled in 2012/13. Of these appointments, **87** were candidates from within the Langeberg municipal area.

The breakdown and representation regarding these appointments are as follows:

**Table: Recruitment and Selection:**

Category	Target 2010/11	Actual 2010/11	Target 2011/12	Actual 2011/12	Target 2012/13	Actual 2012/13
Coloureds	50%	66.6%	50%	64.4%	<b>50%</b>	<b>63.2%</b>
Africans	30%	25%	30%	26.4%	<b>30%</b>	<b>17.9%</b>
Whites	20%	8.4%	20%	9.2%	<b>20%</b>	<b>18.9%</b>
Employees with Disabilities	4%	0%	4%	3.4%	<b>4%</b>	<b>2.1%</b>

**Table: New Appointments per Employment Equity Categories: 2012/2013:**

Directorate	African	Coloured	Indian	White	Total	Female	Male
Service Integration	1	5		7	<b>13</b>	4	9
Engineering Services	7	18		5	<b>30</b>	1	29
Chief Financial Officer	2	6			<b>8</b>	3	5
Strategy & Social Development		2		1	<b>3</b>	2	1
Corporate Services	6	29		4	<b>39</b>	21	18
Municipal Manager's Office	1			1	<b>2</b>	2	
<b>Total 2012/13:</b>	<b>17</b>	<b>60</b>	<b>0</b>	<b>18</b>	<b>95</b>	<b>33</b>	<b>62</b>
<b>Total 2011/12:</b>	<b>23</b>	<b>56</b>	<b>0</b>	<b>8</b>	<b>87</b>	<b>20</b>	<b>67</b>
<b>Total 2010/11:</b>	<b>6</b>	<b>16</b>	<b>0</b>	<b>2</b>	<b>24</b>	<b>9</b>	<b>15</b>
<b>Total: 2009/10</b>	<b>35</b>	<b>52</b>	<b>0</b>	<b>14</b>	<b>101</b>	<b>28</b>	<b>73</b>

### 3. Employee Wellness

Langeberg Municipality has created a comprehensive Wellness Programme Unit to attend to the employees' social, mental, and physical health needs.

Some of the interventions by the department include:

- HIV Awareness programme, attended by (311) employees;
- Free Eye tests, undergone by (289) employees; and
- Financial planning sessions, attended by 293 employees.

#### 4. Vacancy Rate

The vacancy rate increased to 6.9% in the 2012/13 financial year, compared to 6.6% in 2011/12 and 5.7% in the 2010/11 financial year.

**Table: Vacancies per Job Category 2012/13:**

Directorate	Total	Legislators, senior officials and managers	Clerks	Technicians and associate professionals	Craft and related trade workers	Elementary occupations
Service Integration	6		3	2		1
Engineering Services	20	2	1	5	10	2
Chief Financial Officer	7		5	1	1	
Strategy & Social Development	6		1	5		
Corporate Services	10	1	3	4	1	1
Municipal Manager's Office	2	1	1			
<b>Total: 2012/13</b>	<b>51</b>	<b>4</b>	<b>14</b>	<b>17</b>	<b>12</b>	<b>4</b>
<b>Total: 2011/12</b>	<b>48</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>13</b>	<b>7</b>
<b>Total: 2010/11</b>	<b>57</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>14</b>	<b>24</b>

#### 5. Employment Equity

The municipality's Employment Equity Policy is designed to:

- Promote equal opportunities and fair treatment to all in the workplace by eliminating unfair discrimination; and
- Implement affirmative action measures to redress the disadvantages in employment experienced by members from designated groups in the past.

The municipality has consistently complied with the legal requirement of preparing the Employment Equity Plan and Report in 2012/13. The Employment Equity Plan was developed, and the Employment Equity Report submitted on the 30 September 2012.

**Table: Total Employment Equity Statistics per Directorate as at 30 June 2013:**

Directorate	African	Colored	Indian	White	Total	Female	Male
Service Integration	27	72	0	19	<b>118</b>	34	84
Engineering Services	96	210	0	40	<b>346</b>	35	311
Chief Financial Officer	18	28	0	14	<b>60</b>	31	29
Strategy & Social Development	2	8	0	5	<b>15</b>	8	7
Corporate Services	36	92	0	20	<b>148</b>	87	61
Municipal Managers Office	2	0	0	3	<b>5</b>	3	2
<b>Total: 2012/13</b>	<b>181</b>	<b>409</b>	<b>0</b>	<b>101</b>	<b>691</b>	<b>198</b>	<b>493</b>
<b>Total: 2011/12</b>	<b>183</b>	<b>393</b>	<b>0</b>	<b>98</b>	<b>674</b>	<b>189</b>	<b>485</b>
<b>Total: 2010/11</b>	<b>176</b>	<b>382</b>	<b>0</b>	<b>100</b>	<b>658</b>	<b>184</b>	<b>474</b>

## 6. Skills Development

As prescribed by legislation, the combined Workplace Skills Plan (WSP) was compiled in June 2013 and approved on 29 June 2013.

For the year under review (2012/13), the Langeberg Municipality trained 231 employees compared to 204 in the 2011/12 financial year.

**Table: Training per Job Category:**

Directorate	Total	Legislators, senior officials and managers	Clerks	Technicians and associate professionals	Craft and related trade workers	Elementary occupations	Professionals
Service Integration	21	5	1	2	9	4	
Engineering Services	134	13	3	26	45	47	
Chief Financial Officer	12	3	5	3	1		
Strategy & Social Development	10	2	5	3			
Corporate Services	52	7	19	2	7	17	
Municipal Manager's Office	2	1	1				
<b>Total: 2012/13</b>	<b>231</b>	<b>31</b>	<b>34</b>	<b>36</b>	<b>62</b>	<b>68</b>	<b>0</b>
<b>Total: 2011/12</b>	<b>204</b>	<b>11</b>	<b>14</b>	<b>26</b>	<b>56</b>	<b>97</b>	<b>0</b>
<b>Total: 2010/11</b>	<b>243</b>	<b>0</b>	<b>69</b>	<b>7</b>	<b>76</b>	<b>84</b>	<b>7</b>

### 6.1 Skills Development Budget

The information below indicates the quantum of municipal budget allocated to skills development and the percentage spent:

Financial Year	Budget	Expenditure	Percentage Spent
2012/2013	R 580 000.00	R 580 000.00	100
2011/2012	R 580 000.00	R 402 599.00	69.4
2010/2011	R58 0000.00	R407 786.22	70
2009/2010	R580 000.00	541587.87	93

## 7. MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act.

National Treasury has prescribed such financial management competencies in Government Notice 493, dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, in collaboration with various stakeholders and role players in the local government sphere, developed an outcome-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

A total of 49 employees were identified to obtain the abovementioned qualification and prescribed competencies. 16 officials have already completed the training, 21 are currently busy and 12 still need to undergo the training.

The table below provides details of the financial competency development progress as required by the notice:

<b>Financial Competency Development: Progress Report</b>				
<b>Description</b>	<b>Total number of officials employed by municipality (Regulation 14(4)(a) and (c))</b>	<b>Competency assessments completed (Regulation 14(4)(b) and (d))</b>	<b>Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))</b>	<b>Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))</b>
<b>Financial Officials</b>				
Accounting Officer	1	1	1	1
Chief Financial Officer	1	1	1	1
Senior Managers	33	13	4	13
Any other financial officials	13	-	-	-
<b>Supply Chain Management Officials</b>				
Heads of Supply Chain Management Units	1	1	-	1
Supply Chain Management Senior Managers	-	-	-	-
<b>TOTAL</b>	<b>49</b>	<b>16</b>	<b>6</b>	<b>16</b>

## 8. Induction

All new appointments are taken through the induction process. In this current financial year, sixty seven (67) newly appointed employees went through a one-day induction course, as compared to seventy-two (72) in 2011/12 and twenty-one (21) in the 2010/11 financial year. The induction covered the following courses:

- Human Resources processes and procedures
- Labour Relations processes and procedures
- The organization's mission and values
- Organizational structure
- Legislative environment
- Rules for clean administration
- Training and development
- Safety in the workplace
- Work ethics
- Batho Pele Principles

## 9. Human Resources Policies

The following Human Resources policies have been implemented by the Langeberg Municipality:

- Employment Equity Policy
- Recruitment & Selection Policy
- Policy on Private work
- Policy on Temporary workers
- Long Service Recognition Policy
- Travel & subsistence Allowance Policy
- Policy on Smoking
- HIV/AIDS Policy
- Policy on the Payment of Pro Rata Bonuses
- Policy on Personnel travelling between towns/ Relocation Allowance
- Policy on Exit Interviews
- Induction Policy
- Drug & Alcohol Abuse Policy
- Payment Policy
- Policy on the Employee Assistance Program
- Retirement Planning Policy
- Policy on Incapacity/ Poor Work Performance
- Overtime Policy
- Policy on Internal Bursaries
- Mentoring Policy
- Policy on the Code of Conduct and Political Activities of Municipal Employees
- Policy on the Motor Vehicle Traveling Allowance Scheme
- Policy on Internal Bursaries for Councillors

## 10. Personnel Expenditure

**Table: Trends of Personnel Expenditure compared to Operating Expenditure:**

Financial Year	Salaries	Expenditure	Percentage
2012/2013	R 125 021 982	433 412 353	28.85%
2011/2012	R 113 904 176	405 569 148	28.09%
2010/2011	R109 961 174	342 486 975	32.10%
2009/2010	R95,449,951	301,614,167	31.65%

## 11. Promotions

The information below compares the number of employees that have been promoted during the past three financial years:

Directorate	Number of Promotions 2010/11	Number of Promotions 2011/12	Number of Promotions 2012/13
Service Integration	1	8	3
Engineering Services	2	6	7
Chief Financial Officer	0	4	3
Strategy & Social Development	0	0	2
Corporate Services	0	0	4
Municipal Manager's Office	0	0	0
<b>Total</b>	<b>3</b>	<b>18</b>	<b>19</b>

Employees at the Langeberg Municipality are not promoted automatically. All internal employees must apply for posts as advertised.

## 12. Section 57 Performance Bonuses

The performance evaluation for Section 57 managers forms the basis for rewarding outstanding performance. Performance bonuses are paid in line with the suggested calculator and provisions of the Local Government Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to the Municipal Managers of 2006.

Name	Designation	Bonus Amount 2010/11	Bonus Amount 2011/12	Bonus Amount 2012/13
Mr. J. de K. Jooste	Infrastructure Development	R113 819.00	R 105 832.32	R74 844.64
Mr. M. J. Mhlom* (Left service 30/11/11)	Community Services	R113 819.00	R 79 374.24	-
Mr. C. F. Hoffmann	Chief Financial Officer	R113 819.00	R 105 832.32	R74 844.64
Mr. A. W. J. Everson	Corporate Services	R113 819.00	R 105 832.32	R74 844.64
Mr. S. A. Mokweni	Municipal Manager	R137 200.00	R 138 203.52	R90 219.28
<b>Total Bonuses</b>		<b>R592 476.00</b>	<b>R 535 074.72</b>	<b>R314 753.20</b>

## 13. Table: Arrears owed to Council by Councillors/Directors/Managers/Staff:

Category	Amount 2009/10	Amount 2010/11	Amount 2011/12	Amount 2012/13
Councilor Consumer Account Arrears	R0.00	R37535.00	*Recorded in the AFS	*Recorded in the AFS
Councilor Arrear Arrangements	R0.00	R0.00		
Councilor Accounts in Disputes	R0.00	R0.00		
Staff Arrears (Directors & Managers)	R0.00	R0.00		
Other Staff	0.00	R132974.09 (R 66845 Landsales included)		

\*Note: Details are contained in the Financial Statements Chapter 5.

## 14. Pension Funds

The Langeberg Municipality makes use of the following Pension and/or Retirement Funds:



- SALA Pension Fund
- Cape Retirement Fund
- Cape Joint Pension Fund
- SAMWU Provident Fund

#### 15. Medical Aid Schemes

Employees are able to choose from the following Medical Aid Funds:

- BONITAS
- HOSMED
- Key Health
- LA Health
- SAMWU Med

#### 16. Learnerships and Bursaries

A total of a total of six (6) learners were recorded to have received training through Learnerships in 2012/2013, compared to 14 Learnerships recorded in 2011/12 financial year.

The municipality granted twenty (20) internal bursaries in the 2012/13 financial year compared to seventeen (17) internal bursaries in 2011/12.

##### 16.1. Bursaries per Directorate

Directorate	Number of Beneficiaries 2010/11	Number of Beneficiaries 2011/12	Number of Beneficiaries 2012/13
Service Integration	3	2	0
Engineering Services	2	4	12
Chief Financial Officer	8	6	4
Strategy & Social Development	0	0	2
Corporate Services	4	2	2
Municipal Manager's Office	2	3	0
<b>Total</b>	<b>19</b>	<b>17</b>	<b>20</b>

##### 16.2. Number of Employees

The following table reflects the number of staff per category for the last three financial years:

Category	No. of Employees (2010/11)	No of Employees (2011/12)	No of Employees (2012/13)
Legislators, senior officials, and managers	36	34	35
Clerks	74	72	74
Technicians and associate professionals	119	116	118
Craft and related trade workers	149	156	163
Elementary occupations	280	296	301
<b>Total:</b>	<b>658</b>	<b>674</b>	<b>691</b>

## 17. Staff Category per Directorate

Directorate	Total	Legislators, senior officials and managers	Clerks	Technicians and associate professionals	Craft and related trade workers	Elementary occupations
Service Integration	118	6	14	9	21	68
Engineering Services	345	13	4	22	107	199
Chief Financial Officer	60	3	38	11	8	0
Strategy & Social Development Services	15	3	3	9	0	0
Corporate Services	148	8	58	21	27	34
Municipal Manager's Office	5	2	1	2	0	0
<b>Total:2012/2013</b>	<b>691</b>	<b>35</b>	<b>118</b>	<b>74</b>	<b>163</b>	<b>301</b>
<b>Total: 2011/12</b>	<b>674</b>	<b>34</b>	<b>116</b>	<b>72</b>	<b>156</b>	<b>296</b>
<b>Total: 2010/11</b>	<b>658</b>	<b>36</b>	<b>119</b>	<b>74</b>	<b>149</b>	<b>280</b>

## 18. Labour Relations

This department has the function of managing labour relations matters and dealing with occupational health and safety in the municipality.

**Table: Labour Relations issues recorded/investigated during 2012/13:**

Labour Relations issue	Number of Cases: 2009/10	Number of Cases: 2010/11	Number of Cases: 2011/12	Number of Cases: 2012/13
Misconduct	82	89	101	113
Dismissals	13	6	12	14
Suspensions	9	4	6	5
<b>Total Cases</b>	<b>104</b>	<b>109</b>	<b>119</b>	<b>132</b>

**Table: Incidents/Accidents recorded and/or investigated during 2012/13:**

Directorate	Number of cases
Engineering Services	66
Strategy and Social Development	6
Chief Financial Officer	3
Corporate Services	7
Office of the Municipal Manager	0
<b>Total:2012/2013</b>	<b>82</b>
<b>Total:2011/2012</b>	<b>88</b>
<b>Total: 2010/11</b>	<b>70</b>

### 18.1. Occupational Health and Safety

The department is also responsible to ensure that operations and activities within the municipality comply with the provisions of the Occupational Health and Safety Act, 1993 as well as the different Regulations promulgated in terms of the said Act. To this end, a Legal Compliance Risk Audit and accompanying risk assessments have been conducted of all municipal buildings and facilities. In addition, safety inspections are regularly conducted in the various working areas within the municipality to take the necessary corrective action. Incident/accident investigations are conducted promptly in order to determine in respect of which activities work instructions and safe work procedures should be developed and implemented, to prevent the reoccurrence of incidents in the workplace. Furthermore, Health and Safety Committee Meetings are arranged on a monthly basis to address all health and safety issues raised at such meetings.

Table: Incidents/accidents recorded and/or investigated during 2012/13 are as follows:

Directorate	Personal injury	Disease	Death
Engineering Services	66	0	0
Strategy and Social Development	6	0	0
Chief Financial Officer	3	0	0
Corporate Services	7	0	0
Municipal Manager's Office	0	0	0
<b>Total 2012/13</b>	<b>82</b>	<b>0</b>	<b>0</b>
Total 2011/12	88	0	0
Total 2010/11	70	0	0

## 19. Governance and Institutional Arrangements

This section of the annual report explains the framework of the institutional structures and resources that the Council established during the 2012/2013 financial year, so as to implement its strategies.

### 19.1. Council Structure

The relationship between Council and the different existing political structures is as follow:

#### Council Members:

	<u>COUNCILLORS</u>		<u>POLITICAL PARTY</u>
1	JACOBUS DANIEL	BURGER	DA
2	NICOLIN PETER	CROUWCAMP	CI
3	TESHLE SYBIL	DE KOKER	DA
4	DANIELA	GAGIANO	DA
5	CHRISTOPHER JOHN	GROOTBOOM	PDM
6	DAVIN ADONIS	HULL	DA
7	DENDELIN BABARA	JANSE	DA
8	RACHEL	JOHNSON	ANC
9	RODGER RENIER	KORTJE	DA
10	KANYILE IVAN	KLAAS	COPE
11	JACQUES	KRIEL	DA
12	SPHIWO PETRUS	MAFILIKA	ANC
13	NTOMBOXOLO JULIA	MGOQI	ANC
14	ANNE NONTUTHUZELO	MHLAMBENI	ANC
15	WILFORD SEBENZILE	NYAMANA	ANC
16	ERIC MERVIAN JACOBUS	SCHEFFERS	DA
17	JUAN RENALDO O'DONOVAN	SWANEPOEL	WCC
18	EVA	TURNER	DA
19	SCHALK WILLEM	VAN EEDEN	DA
20	JACOBUS DANIEL FOURIE	VAN ZYL	DA
21	ERROL JUSTICE	VOLLENHOVEN	ANC
22	MXOLISI ERIC	ZWEDALA	ANC

### 19.2. Mayoral Committee Members & Mayco Structure:

1	<b>Gagiano, D;</b> Executive Mayor	DA	PR 1
2	<b>Klaas, K I;</b> Deputy Mayor	COPE	PR1
3	<b>Scheffers, EMJ;</b> Member of Mayco	DA	Wyk 12
4	<b>Crouwcamp, NP;</b> Member of Mayco	CI	PR 1
5	<b>Van Eeden, SW;</b> Member of Mayco	DA	Wyk 8
6	<b>Kortje, R R;</b> Member of Mayco	DA	Wyk 4

### 19.3 Executive Management

The Executive Management team is the key force behind the achievement of the municipality's strategic goals. During 2012/2013 the administration implemented the macro design illustrated below:

### Executive Management Organogram: (STRATEGIC MANAGEMENT TEAM)

Mr SA Mokweni	-	Municipal Manager
Mr AWW Everson	-	Director Corporate Services
Mr CF Hoffmann	-	Chief Financial Officer
Mr J de K Jooste	-	Director Infrastructure Development
Mrs CO Matthys	-	Director Strategy and Social Development (from 1 Aug 2012)
Mr. IAB van der Westhuizen	-	Director Engineering Services (from 1 October 2012)

#### 19.4. Section 80 - Portfolio Committees and Chairpersons

The Portfolio Committees and Chairpersons during the past financial year are set out below:

**Table: Portfolio Committees:**

Committee	Chairperson
Corporate Services	Cllr DB Janse
Financial Services	Cllr JD Burger
Engineering Services	Cllr E Turner
Service Integration	Cllr JDF van Zyl
Strategy and Social Development	Cllr TS de Koker
Municipal Public Accounts	Cllr CJ Grootboom

#### 19.5. Portfolio Committee Meetings and Attendance 2011/12 and 2012/13:

Meetings	2011/12	% Attendance	2012/13	% Attendance
Portfolio Committee Meetings	40	71%	37	96%
Mayoral Committee Meetings	12	96%	8	93%
Special Mayoral Committee Meetings	0	- - -	3	100%
Council Meetings	11	92%	7	88%
Special Council Meetings	4	90%	6	99%

#### 20. Office of the Speaker

Councilor DA Hull was the Speaker of the Langeberg Council during 2012/13.

The function of the Speaker is to:

- Ensure that there is an attendance register at the constituents' meetings and that it is signed so as to monitor the election process.
- Explain the roles and responsibilities of ward committees and their members at the meeting.
- Explain the election process to the participants.
- Call for nominations for committee members and for seconders to sign the appropriate forms.

- Count the votes and announce the results.
- Ensure that the elected ward committee members are aware of their roles and responsibilities and appropriate forms are signed.

## 20.1 Ward Committees

The council has **twelve (12)** Ward Committees which are appointed for a period of **five (5)** years. Each ward committee has approximately ten members.

The Policy on the Ward Committee System defines the role of the ward committees as follows:

- May make recommendations on any matter affecting its ward to the ward councillor, or through the ward councillor, to the Council, or the Executive;
- To serve as an official specialized participatory structure in the municipality;
- To create formal unbiased communication channels as well as co-operative partnerships between the community and the Council;
- To serve as a mobilising agent for community action;
- A ward committee may express dissatisfaction on the non-performance of a ward councillor to the Municipal Council;
- A ward committee may, subject to available capacity and resources, conduct an annual satisfaction survey in order to assist the committee with the execution of its functions and powers. The satisfaction survey should be conducted in the ward by ward committee members, under the supervision of the ward councillor and with the administrative support of the municipality.

The Municipal Structures Act of 1998, as amended, defines the functions and powers of ward committees as:

- (a) A structure that may make recommendations on any matter affecting its ward –
  - (i) To the ward councilor; or
  - (ii) Through the ward councilor to the Local Council, the executive committee or the executive mayor
- (b) A structure that has such duties and powers as the Metro or Local Council may delegate to it in terms of Section 32.

Ward Based Planning reviews **were conducted** in all twelve (12) wards during October/November 2012.

**Table: Ward Committees, Chairperson, Number of Meetings:**

WARD COMMITTEE	CHAIRPERSON	Number of Meetings
Ward 1, Robertson	Cllr JD Burger	11
Ward 2, Robertson (Nkqubela)	Cllr SP Maflika	9
Ward 3, Robertson	Cllr E Turner	10
Ward 4, Bonnievale (Happy Valley)	Cllr RR Kortjé	11
Ward 5, McGregor	Cllr DA Hull	11
Ward 6, Robertson	Cllr DB Janse	11
Ward 7, Montagu	Cllr J Kriel	10
Ward 8, Bonnievale	Cllr SW van Eeden	11
Ward 9, Ashton	Cllr TS de Koker	10
Ward 10, Ashton (Zolani)	Cllr EM Zwedala	9
Ward 11, Ashton (Rural)	Cllr JDF van Zyl	10
Ward 12, Montagu	Cllr EMJ Scheffers	11

**Table: Ward Committee - IDP Community Feedback Meetings:**

Ward	Date	Venue	Time
1	27 August 2012	City Hall, Robertson	18h00
2	28 August 2012	Nkqubela Community Centre	18h00
3	13 August 2012	Robertson Civic Centre	18h00
4	21 August 2012	Happy Valley Community Hall, Bonnievale	18h00
5	05 September 2012	McGregor Community Hall	18h00
6	29 August 2012	Rooiberg Hall, McGregor	18h00
7	01 August 2012	Hofmeyr Hall, Montagu	18h00
8	20 August 2012	Chris Van Zyl Hall, Bonnievale	18h00
9	23 August 2012	Ashton Barnard Hall	18h00
10	10 October 2012	Zolani Community Hall	15h00
11	23 August 2012	Ashton Town Hall	18h00
12	02 August 2012	Kabouterland Crèche, Montagu	18h00

**Table: Ward Committee - Outreach Programmes:**

Ward	Date	Venue	Time
1	31 October 2012	Robertson Civic Centre	18h00
2	31 October 2012	Nkqubela Community Centre	18h00
3	31 October 2012	Robertson Civic Centre	18h00
4	01 November 2012	Happy Valley Community Hall, Bonnievale	18h00
5	22 October 2012	McGregor Community Hall	18h00
6	31 October 2012	Robertson Civic Centre	18h00
6	24 October 2012	De Hoop	18h00
6	25 October 2012	Rooiberg Hall, McGregor	18h00
7	29 October 2012	Hofmeyr Hall, Montagu	18h00
8	07 November 2012	Uitsig, Bonnievale	18h00
9	22 October 2012	Klaasvoogds	18h00
10	10 October 2012	Zolani Community Hall	15h00
11	23 August 2012	Ashton Town Hall	18h00
12	15 October 2012	Kabouterland	18h00
12	29 October 2012	Keisie	18h00
12	29 October 2012	Koo	18h00

## **21. Corporate Governance: Public Participation**

### **21.1. Municipal Imbizos**

During the period October 2012 until 30 November 2012 a sample survey was conducted in all twelve (12) wards to obtain inputs per block, per ward for the IDP.

During the month of April 2013, IDP and Budgeting processes information and consultative meetings were held in all ten wards. All the interested organisations and the individuals of all sectors were invited to attend the scheduled meetings per ward. The 2012/2013 financial year Imbizos is outlined below:

**Table: IDP Imbizos:**

DATE	TOWN	VENUE	TIME
Tuesday, 17 April 2013	ROBERTSON Ward 1 ,3 & 6	COMMUNITY HALL HOSPITAL AVENUE	18H00
Wednesday, 22 April 2013	ZOLANI Ward 10	COMMUNITY HALL –ZOLANI	18H00
Thursday, 15 April 2013	MONTAGU Ward 12	COMMUNITY HALL-KABOUTERLAND	18H00
Thursday, 15 April 2013	MONTAGU Ward 7	COMMUNITY HALL- WILLEM THYS	18H00
Monday, 22 April 2013	ASHTON Ward 9& 11	BARNARD HALL	18H00
Tuesday, 18 April 2013	NKQUBELA Ward 2	COMMUNITY HALL	18H00
Thursday, 16 April 2013	BONNIEVALE Ward 4 & 8	HAPPY VALLEY COMMUNITY HALL	18H00
Monday, 23 April 2013	McGREGOR Ward 5	COMMUNITY HALL	18H00

**Table: Ward Committee - Community Meetings for Special Events:**

Ward	Date	Venue	Time
1	30 May 2013	Robertson Civic Centre	19h00
3	30 May 2013	Robertson Civic Centre	19h00
6	30 May 2013	Robertson Civic Centre	18h00

**21.2. Ward Committee Service Delivery Survey**

A representative sample survey was conducted in all twelve wards. The aim was to compile data per geographical area, presented per block, per ward. The data was analysed and a report was submitted.

**21.3. Ward Committee Summit**

A Ward Committee summit was also held for the period 28 until 29 June 2013 with the aim to search for collective solutions for communal challenges in all the wards.

All twelve wards were present. The following Directorates presented service delivery challenges in all twelve wards, i.e. Solid Waste, Civil Engineering ,Housing and Town Planning.

The Department of Local Government was also presented by The Deputy Director: Public Participation, Me Buyiswa Jack.

**21.4. Community Liaison Workers****21.4.1. Roles of the CLWs**

The Langeberg Municipality has embraced the use of CLWs to strengthen effective, participative democracy in the municipality.



**Table: CLWs and ward allocations:**

<b>Name and Surname</b>	<b>Town/Area</b>	<b>Ward Deployed</b>
Ms Junielle Frieslaar	Robertson	1 & 3
Mr Johannes Jansen	Robertson	2 & 6
Mr Andries Willemse	McGregor	5
Ms Lindiwe Kahla	Bonnievale	4 & 8
Ms Nandipha Fikizolo	Zolani and Nkquebela	10
Ms Charmain Swanepoel	Montagu	7 & 12
Ms Natasha Claasen	Ashton	9 & 11

## **22. Performance Management Committee**

The Municipal Systems Act 32 of 2000 requires the Langeberg Municipality to establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan.

The purpose of linking performance to financial reward is to focus the executive management on the successful implementation of the Municipal Integrated Development Plan (IDP) and to increase overall organizational motivation and efficiency. The system is designed to reward superior performance.

For purpose of evaluating the performance of the employee, an evaluation panel constituting of the following persons was established in terms of Section 6.6 of the Performance Agreement –

- Mr SA Mokweni, Municipal Manager
- Alderman D Gagliano Executive Mayor
- Councillors attending the evaluations for the portfolio's they represent.
- Mr M Mgajo, Municipal Manager from Cape Winelands
- Mr JJ Mostert, chairperson of the Audit Committee
- Dr G Joubert, Member of the Community for the Municipal Manager

## **23. Municipal Public Accounts (MPAC) Committees**

Langeberg Municipality's MPAC was established on the 28 January 2013 and five (5) MPAC committee members were appointed to provide guidance on the requirement to strengthen oversight within the municipality, in terms of the provision of S79 of the of Local Government Municipal Structures Act 117 of 1998.

The MPAC's primary responsibility is to serve as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness.

During the 2012/13 financial year the MPAC met on the 25<sup>th</sup> of March and the 19<sup>th</sup> of June after it has been established. The provincial government gave the training on the roles and responsibilities of the MPAC members on the 19<sup>th</sup> of June 2013.

### 23.1 MPAC Committee Members:

1. Cllr C Grootboom - Chairperson
2. Cllr E Turner
3. Cllr J Burger
4. Cllr E Vollenhoven
5. Cllr M Mgoqi

### 23.2 Internal Audit and Audit Committee

Langeberg Municipality's Audit Committee was established on 1 August 2006 and members were appointed for a period of 3 years under the terms of Section 166 (1) of Act 56 of 2003 – Local Government: Municipal Finance Management Act, 2003.

The Audit Committee is responsible for the oversight of internal controls, financial reporting and compliance with regulatory matters.

During 2012/2013 the Audit Committee had (4) members. The Committee convened 5 meetings in this financial year compared to (6) meetings in 2011/12 and compared to 4 meetings in 2010/11 financial year.

The two members from the 2011/12 financial year resigned, namely Mr P Dreyer and Dr B van Rensburg and the 2 members, namely Mr K Pretorius and Mr W van Deventer were appointed in February 2013 and only attended the last 2 meetings

**Table: Audit Committee Members and Attendance:**

<b>Audit Committee Members</b>	<b>Number of Meetings: 2011/12</b>	<b>Committee Member Attendance</b>	<b>Number of Meetings: 2012/13</b>	<b>Committee Member Attendance</b>
Mr JJ Mostert Chairperson:	6	6	5	5
Mr A. Amord			5	4
Mr K Pretorius			5	2
Mr W van Deventer			5	1

### 24. Bylaws

The following Bylaw was adopted:

- Resolution: A 2645 of 28 March 2012: By-law on liquor trading days and hours: Langeberg Municipality (15/1/B) (Assistant Town and Regional Planner)

**The following Bylaw was reviewed and amended:**

- Resolution: A 2692 of 29 May 2012 : Revision of the by-law relating to the control of cemeteries, section 4(2)(B) (Provincial Gazette No 6535) (16/6 B) (Manager: Environmental Services)

## 25. Anti-Corruption and Anti-Fraud

The Langeberg Municipality does not have a person dedicated and responsible for anti-corruption and fraud prevention. The Executive Management Team, however, collectively take responsibility for the function.

The Council has approved a Fraud Prevention Plan. The Department of Cooperative Governance and Traditional Affairs held workshops on 29 and 30 June 2010 with the Municipal Manager, Directors and Managers to facilitate the implementation of Fraud Prevention Plans.

The following fraud preventative arrangements have been instituted:

- (a) Promotion of an ethical culture;
- (b) Provision of training to employees;
- (c) Adoption of Policies and procedures (for example the Disciplinary Code and Supply Chain Management Policy, etc.);
- (d) Provision of physical security for buildings; and
- (e) Carry out employee vetting before employees are appointed.

The following institutional arrangements are in place for the detection of fraud:

- (a) An Internal Audit Unit has been established.
- (b) Management takes steps against fraudulent actions.
- (c) Directors and the Internal Audit Department identify risks.
- (d) An Audit Committee has been established **which has approved the Internal Audit Plan.**

## 26. Website

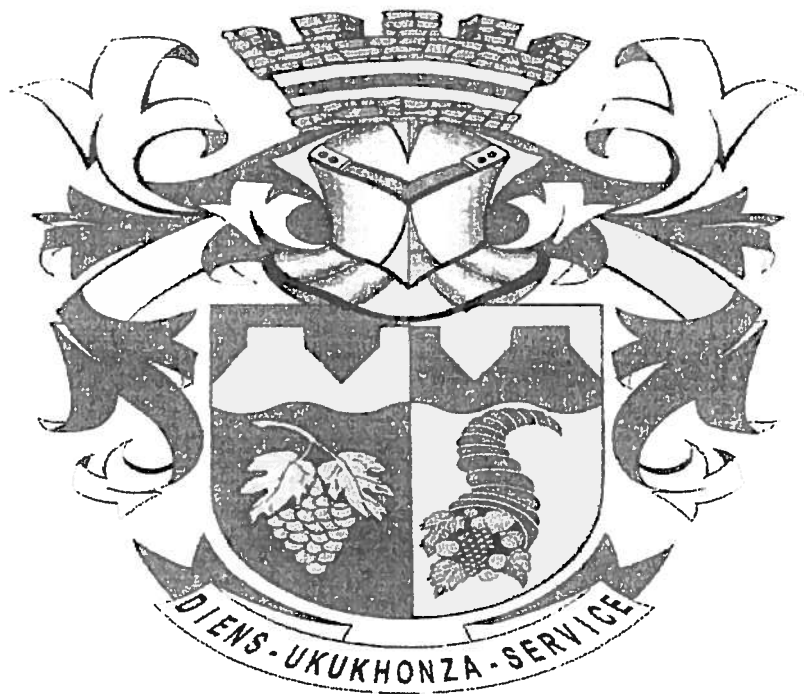
The Municipal website is updated on a daily basis. All current event news articles, as well as required legislative documents (including budgets, tenders and vacancies) are updated on the website daily. Around 5000 unique visitors browsed the municipal website on a monthly basis during the 2012/2013 year in comparison to 2600 for the previous year.

# ***Chapter 5***



# LANGEBERG

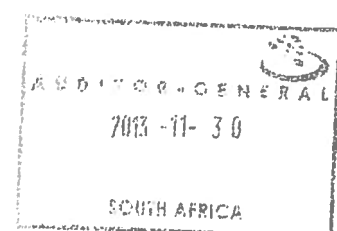
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[These financial statements have not been audited]

## FINANCIAL STATEMENTS

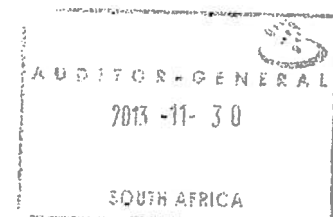
30 JUNE 2013



# LANGEBERG MUNICIPALITY

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**LANEGBERG MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**GENERAL INFORMATION**

**NATURE OF BUSINESS**

Langeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

**COUNTRY OF ORIGIN AND LEGAL FORM**

Langeberg Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

**JURISDICTION**

The Langeberg Municipality includes the following towns and surrounding rural areas:

*Ashlon  
Bonnievale  
McGregor  
Montagu  
Robertson*

**MUNICIPAL MANAGER**

*SA Mokweni*

**CHIEF FINANCIAL OFFICER**

*CF Hoffman*

**REGISTERED OFFICE**

*Langeberg Municipality; 28 Main Road; Ashlon; 6715*

**AUDITORS**

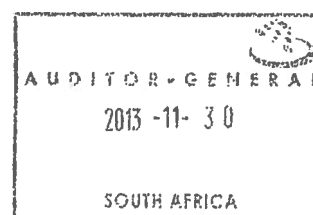
*Office of the Auditor General (WC)*

**PRINCIPAL BANKERS**

*ABSA; PO Box 4453; Tygervally; 7536*

**RELEVANT LEGISLATION**

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
SALGBC Collective Agreements  
SALGBC Leave Regulations



## LANGEBERG MUNICIPALITY

### MEMBERS OF THE LANGEBERG MUNICIPALITY

#### COUNCILLORS

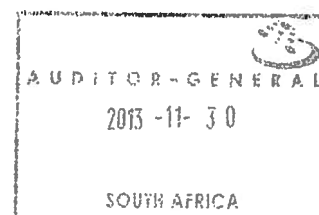
Gagiano, D	Executive Mayor	DA	Proportional
Hull, D A	Speaker	DA	Ward
Klaas, K L	Deputy Mayor	COPE	Proportional
Van Eeden, SW	Member of Mayoral Committee	DA	Ward
Scheffers, EMJ	Member of Mayoral Committee	DA	Ward
Kortje, R R	Member of Mayoral Committee	DA	Ward
Crouwcamp, NP	Member of Mayoral Committee	CI	Proportional
Burger, J D	Ordinary Councillor	DA	Ward
De Koker, T S	Ordinary Councillor	DA	Ward
Janse, D B	Ordinary Councillor	DA	Ward
Kriel, J	Ordinary Councillor	DA	Ward
Maflika, S P	Ordinary Councillor	ANC	Ward
Turner, E	Ordinary Councillor	DA	Ward
Van Zyl, J D F	Ordinary Councillor	DA	Ward
Zwedala, E M	Ordinary Councillor	ANC	Ward
Grootboom, C J	Ordinary Councillor	PDM	Proportional
Johnson, R	Ordinary Councillor	ANC	Proportional
Mgoqi, N J	Ordinary Councillor	ANC	Proportional
Mhlambeni, A N	Ordinary Councillor	ANC	Proportional
Nyamana, W S	Ordinary Councillor	ANC	Proportional
Vacant	Ordinary Councillor		Proportional
Swanepoel, J R O	Ordinary Councillor	WCC	Proportional
Vollenhoven, E J	Ordinary Councillor	ANC	Proportional

#### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
 SA Mokweni  
 Municipal Manager

2013/08/30  
 Date





**LANGEBERG MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
 for the year ended 30 June 2013  
**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the financial position of LANGEBERG MUNICIPALITY for the fiscal year 2012/2013.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the other directorates to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Langenberg Municipality implemented two new accounting standards in 2012/2013, namely GRAP 24 on Budget Information and GRAP 103 on Heritage Assets.

**2. KEY FINANCIAL INDICATORS**

The economic downturn and the Eskom price increases continue to put strain on good financial management.

**Financial Statement Ratios:**

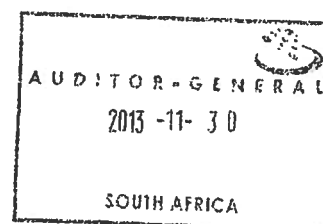
INDICATOR	30 June 2013	30 June 2012
Surplus / (Deficit) for the year before Appropriations	33 504 703	3 324 648
Accumulated Surplus / (Deficit) at the end of the Year	432 356 587	396 567 706
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	29.38%	26.59%
Remuneration of Councillors	1.76%	1.69%
Debt Impairment	2.12%	1.19%
Depreciation and Amortisation	4.16%	4.62%
Collection costs	0.30%	0.25%
Impairments	0.00%	0.99%
Repairs and Maintenance	3.00%	3.10%
Actuarial losses	0.09%	0.82%
Unamortised Discount - Interest paid	0.02%	0.03%
Finance Charges	1.77%	1.90%
Bulk Purchases	43.79%	42.16%
Contracted services	0.24%	0.29%
Grants and Subsidies	0.00%	0.02%
Stock Adjustments	0.00%	0.05%
Operating Grant Expenditure	2.78%	4.88%
General Expenses	10.44%	9.39%
Loss on disposal of Property, Plant and Equipment	0.14%	0.01%

It should be noted that bulk purchases for water and electricity is 44% of the total expenditure for 2012/2013.

**3. OPERATING RESULTS**

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/2013 R	Actual 2011/2012 R	Percentage Variance %	Budgeted 2012/2013 R	Variance actual/ budgeted %
Opening surplus / (deficit)	396 567 706	392 716 566	0.98%	-	-
Operating income for the year (incl. gains in disposal of assets)	436 596 421	383 486 716	13.85%	457 639 109	-4.60%
Appropriations for the year	2 284 178	526 492	0.00%	-	-
	835 448 305	776 729 774	7.56%	457 639 109	82.56%
Expenditure:					
Operating expenditure for the year	403 091 717	389 162 067	6.03%	433 524 035	-7.02%
Closing surplus / (deficit)	432 356 587	396 567 706			
	835 448 305	776 729 774	7.56%	433 524 035	92.71%



#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 52 169 196, and in percentage terms amounts to 87% of budget. Full details of Property, Plant and Equipment are disclosed in note number 45.3 to the Annual Financial Statements

The capital expenditure of R 52 169 196 (2012/13) was financed as follows:

DETAILS	Actual 2012/2013 R	Budgeted 2012/2013 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	28 099 257	35 829 048	28%	53.86%
External Loans				
Grants and Subsidies	24 069 939	22 958 620	5%	46.14%
Leased Assets				
	52 169 196	58 787 668		100.00%

#### 5. LONG-TERM LIABILITIES

	2013 R	2012 R
The outstanding amount of Long-term Liabilities as at 30 June was:	37 290 700	38 495 587

No new loans were taken up during the financial year to enable the municipality to finance its capital requirements.

Refer to Note number 3 and Appendix 'A' for more detail.

#### 6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	48 351 025	45 890 807
Provision for Post Retirement Benefits	39 150 817	36 939 296
Provision for Ex-Gratia Pension Benefits		
Provision for Long Service Awards	5 767 847	5 096 187
Provision for Rehabilitation of Landfill-sites	4 424 361	3 855 324
Provision for Clearing of Alien Vegetation		
	48 351 025	45 890 807

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

#### 7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	6 570 594	6 079 482
Current Employee benefits	Note number 7	12 062 638	11 605 420
Provisions	Note number 8	1 360 279	2 555 348
Payables from exchange transactions	Note number 9	40 829 847	34 080 545
Unspent Conditional Government Grants and Receipts	Note number 10	9 661 673	6 989 484
Unspent Public Contributions	Note number 11	387 849	62 849
Taxes	Note number 12.1		842 932
Current Portion of Long-term Liabilities	Note number 3	4 242 681	3 481 454
		75 115 582	65 697 515

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

#### 8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	303 858	516 048
--	---------	---------

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 15 for more detail.

#### 9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

	465 814 350	426 739 223
--	-------------	-------------

Refer to Note number 13 for more detail



#### 10. INVESTMENTS

The municipality held Investments in the value of  
 Call Investment Accounts  
 Listed Investment  
 Unlisted Investments

60 000 000	70 000 000
12 420	9 653
78 197	41 896
<u>60 090 617</u>	<u>70 051 549</u>

Refer to Note number 25 for more detail

#### 11. LONG-TERM RECEIVABLES

Refer to Note number 19 for more detail

<u>3 451 815</u>	<u>2 371 881</u>
------------------	------------------

#### 12. CURRENT ASSETS

Current Assets are made up as follows

Inventory	Note number 21	21 579 328	13 344 079
Receivables from exchange transactions	Note number 22	31 309 093	34 534 238
Receivables from non exchange transactions	Note number 23	3 629 819	3 962 306
Unpaid Conditional Government Grants and Receipts	Note number 10	250 000	0
Operating Lease Asset	Note number 24	127 530	70 021
Taxes	Note number 12	539 810	-
Current Portion of Long-term Receivables	Note number 19	1 486 547	2 167 412
Cash and Cash Equivalents	Note number 24	71 282 129	73 915 183
		<u>130 314 255</u>	<u>127 993 238</u>

Refer to the indicated Note numbers for more detail.

#### 13. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes number 10 as well as Appendix D for more detail.

#### 14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 51.

#### 15. DISCLOSURE ISSUES

Please refer to note number 48 to 55.

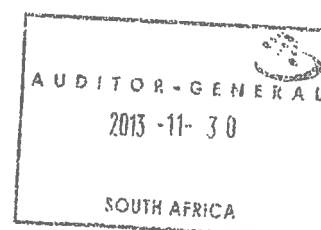
#### 16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to the staff at all levels and in all departments for their hard work and dedication.



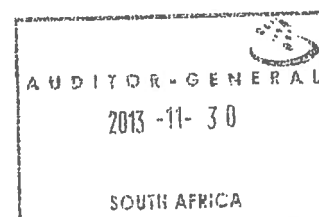
Mr C F Hoffman  
 CHIEF FINANCIAL OFFICER  
 30 August 2013



LANGEBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

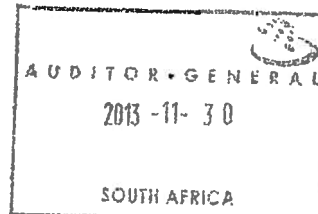
	Notes	2013 R	2012 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>475 072 409</b>	<b>441 567 706</b>
Capital Replacement Reserve	2	42 715 822	45 000 000
Accumulated Surplus		432 356 587	396 567 706
<b>Non-Current Liabilities</b>		<b>81 554 983</b>	<b>80 024 559</b>
Long-term Liabilities	3	32 203 958	34 133 753
Employee benefits	4	44 926 664	42 035 483
Non-Current Provisions	5	4 424 361	3 855 324
<b>Current Liabilities</b>		<b>75 115 562</b>	<b>65 697 515</b>
Consumer Deposits	6	6 570 594	6 079 482
Current Employee benefits	7	12 062 638	11 605 420
Provisions	8	1 360 279	2 555 348
Payables from exchange transactions	9	40 829 847	34 080 545
Unspent Conditional Government Grants and Receipts	10	9 661 673	6 989 484
Unspent Public Contributions	11	387 849	62 849
Taxes	12.3	-	842 932
Current Portion of Long-term Liabilities	3	4 242 681	3 481 454
<b>Total Net Assets and Liabilities</b>		<b>631 742 954</b>	<b>587 289 781</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>497 968 490</b>	<b>457 832 202</b>
Property, Plant and Equipment	13	465 814 358	426 739 223
Investment Property	14	26 951 138	27 014 467
Intangible Assets	15	303 858	516 048
Heritage Assets	16	939 000	939 000
Capitalised Restoration cost	17	417 704	200 054
Non-Current Investments	18	90 617	51 549
Long-Term Receivables	19	3 451 815	2 371 861
<b>Non-Current Assets held for sale</b>	20	<b>3 460 209</b>	<b>1 464 340</b>
<b>Current Assets</b>		<b>130 314 255</b>	<b>127 993 238</b>
Inventory	21	21 679 328	13 344 079
Receivables from exchange transactions	22	31 309 093	34 534 238
Receivables from non-exchange transactions	23	3 629 819	3 962 306
Unpaid Conditional Government Grants and Receipts	10	250 000	0
Operating Lease Asset	24	127 530	70 021
Taxes	12.3	539 810	-
Current Portion of Long-term Receivables	19	1 496 547	2 167 412
Cash and Cash Equivalents	25	71 282 129	73 915 183
<b>Total Assets</b>		<b>631 742 954</b>	<b>587 289 781</b>



LANGEBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012	2012	2012
	Notes	Actual	Restated	Correction of Error Refer Note 40	Previously reported
		R	R	R	R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		138 383 608	105 889 939	-	105 889 939
Taxation Revenue		29 806 702	27 949 649	-	27 949 649
Properly rates	26	29 806 702	27 949 649	-	27 949 649
Transfer Revenue		102 836 558	76 105 029	-	76 105 029
Government Grants and Subsidies - Capital	27	24 405 390	16 274 360	-	16 274 360
Government Grants and Subsidies - Operating	27	78 431 168	59 710 669	-	59 710 669
Public Contributions and Donations		-	120 000	-	120 000
Other Revenue		5 740 349	1 835 260	-	1 835 260
Gain on Foreign Exchange transaction		-	-	-	-
Actuarial Gains	4	1 250 989	-	-	-
Fair Value Adjustments		39 068	-	-	-
Fines		1 079 319	1 835 260	-	1 835 260
Impairment Reversal	34	3 331 913	-	-	-
Stock Adjustments		39 059	-	-	-
Revenue from Exchange Transactions		298 212 813	277 596 777	(2 945 200)	280 541 977
Service Charges	28	276 237 128	250 167 952	(2 954 216)	253 122 168
Rental of Facilities and Equipment		2 074 316	1 667 562	9 016	1 658 546
Interest Earned - external investments		4 556 735	5 042 189	-	5 042 189
Interest Earned - outstanding debtors		1 617 204	1 513 318	-	1 513 318
Licences and Permits		1 239 538	1 261 437	-	1 261 437
Agency Services		1 929 048	1 814 479	-	1 814 479
Other Income	29	10 498 358	16 077 183	-	16 077 183
Unamortised Discount - Interest		60 486	52 658	-	52 658
Gain on disposal of Property, Plant and Equipment		-	-	-	-
Total Revenue		436 596 421	383 486 716	(2 945 200)	386 431 916
<b>EXPENDITURE</b>					
Employee related costs	30	118 437 567	108 706 604	(22 286)	108 728 890
Remuneration of Councilors	31	7 099 118	6 420 162	-	6 420 162
Debt Impairment	32	8 551 056	4 511 537	-	4 511 537
Depreciation and Amortisation	33	16 753 805	17 569 339	(944 076)	18 513 415
Collection costs		1 192 386	959 455	-	959 455
Impairments	34	-	3 770 043	-	3 770 043
Repairs and Maintenance		12 097 894	11 780 440	(139 795)	11 920 235
Actuarial losses	4	375 288	3 122 234	-	3 122 234
Unamortised Discount - Interest paid		96 805	122 093	-	122 093
Finance Charges	35	7 149 831	7 237 706	22 286	7 215 421
Bulk Purchases	36	176 527 517	160 291 452	-	160 291 452
Contracted services		981 026	1 105 252	-	1 105 252
Grants and Subsidies	37	-	73 500	-	73 500
Stock Adjustments		-	184 451	-	184 451
Operating Grant Expenditure		11 207 558	18 547 031	-	18 547 031
General Expenses	38	42 069 249	35 708 680	(23 742)	35 732 422
Loss on disposal of Property, Plant and Equipment		552 618	47 282	-	47 282
Fair Value Adjustments		-	4 807	-	4 807
Total Expenditure		403 091 717	380 162 067	(1 107 613)	381 269 600
NET SURPLUS/(DEFICIT) FOR THE YEAR		33 504 703	3 324 648	(1 837 587)	5 162 235



LANEGERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

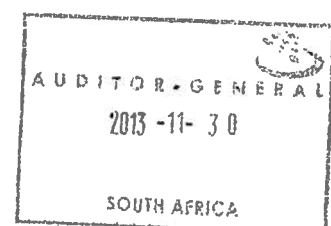
	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R
Balance at 01 JULY 2011	45 526 492	381 495 919	427 022 411
Change in Accounting Policy (Refer Note 39)		80 278	80 278
Correction of error (Refer Note 40)		11 140 369	11 140 369
Restated balance at 01 JULY 2011	45 526 492	392 716 566	438 243 058
Net Surplus for the year		3 324 648	3 324 648
Transfer to/from CRR	22 041 993	(22 041 993)	-
Property, Plant and Equipment purchased	(22 568 485)	22 568 485	-
Balance at 30 JUNE 2012	45 000 000	396 567 706	441 567 706
Net Surplus for the year		33 504 703	33 504 703
Transfer to/from CRR	25 815 080	(25 815 080)	-
Property, Plant and Equipment purchased	(28 099 257)	28 099 257	-
Balance at 30 JUNE 2013	42 715 822	432 356 587	475 072 409



LANGEBERG MUNICIPALITY

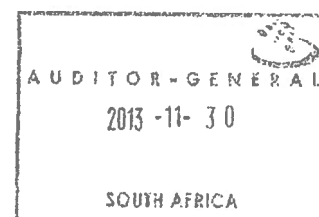
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		30 JUNE 2013	30 JUNE 2012 Restated Correction of Error Refer Note 40
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		319 720 156	286 859 294
Government - operating		75 718 495	56 507 226
Government - capital		29 529 200	21 309 000
Interest		3 733 977	4 085 471
<b>Payments</b>			
Suppliers and employees		(369 603 304)	(338 578 115)
Finance charges	35	(3 432 324)	(3 828 869)
Transfers and Grants			
<b>Cash generated by operations</b>	<b>41</b>	<b>55 666 199</b>	<b>26 354 007</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(52 130 051)	(38 289 937)
Proceeds on Disposals		-	73 187
Purchase of Intangible Assets	15	(39 145)	(373 165)
Decrease/(Increase) in Long-term Receivables	19	(3 037 093)	673 165
Decrease/(Increase) in Non-current Investments	18	(39 068)	4 807
<b>Net Cash from Investing Activities</b>		<b>(55 245 358)</b>	<b>(37 911 943)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(3 545 007)	(3 104 650)
New loans raised		-	-
(Decrease)/Increase in Consumer Deposits		491 112	508 405
<b>Net Cash from Financing Activities</b>		<b>(3 053 895)</b>	<b>(2 596 245)</b>
<b>NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2 633 054)</b>	<b>(14 154 181)</b>
Cash and Cash Equivalents at the beginning of the year		73 915 183	88 069 364
Cash and Cash Equivalents at the end of the year	42	71 282 129	73 915 183
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2 633 054)</b>	<b>(14 154 181)</b>



**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	11 282 129	7 561 000	3 721 129	
Call investment deposits	60 000 000	80 000 000	(20 000 000)	Increase in cash of R 7.4M
Consumer debtors	34 938 912	15 997 646	18 941 266	
Other Receivables	917 340	11 274 719	(10 357 379)	
Current portion of long-term receivables	1 496 547	1 484 000	12 547	
				Reclassification of low cost housing from general expenses to inventory. Land to the amount of R7m purchased for low cost housing.
Inventory	21 679 328	5 619 000	16 060 328	
<b>Total current assets</b>	<b>130 314 255</b>	<b>121 936 365</b>	<b>8 377 890</b>	
<b>Non current assets</b>				
Long-term receivables	3 451 815	7 834 000	(4 382 185)	Increase in the provision for impairment of R 2.6M
Investments	90 617	6 000	84 617	
Investment property	26 951 138	19 413 000	7 538 138	
				R 6.6M unspent on capital expenditure budget. R 1.3M budgeted for the Bonnievale Reservoir could not be spend as amounts tendered exceeded the budgeted amounts.
Property, plant and equipment	469 692 271	494 367 393	(24 675 122)	Reclassification of PPE to Heritage Assets
Biological Assets		-	-	
Intangible Assets	303 858	1 244 000	(940 142)	
Heritage Assets	939 000	-	939 000	First time adoption of GRAP 103
<b>Total non current assets</b>	<b>501 428 699</b>	<b>522 864 393</b>	<b>(21 435 694)</b>	
<b>TOTAL ASSETS</b>	<b>631 742 954</b>	<b>644 800 758</b>	<b>(13 057 804)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft		-	-	
Borrowing	4 242 681	3 483 061	759 620	
Consumer deposits	6 570 594	5 337 360	1 233 234	
Trade and other payables	50 879 369	41 554 611	9 324 758	
Provisions and Employee Benefits	13 422 917	14 127 480	(704 563)	
<b>Total current liabilities</b>	<b>75 115 562</b>	<b>64 502 512</b>	<b>10 613 050</b>	
<b>Non current liabilities</b>				
Borrowing	32 203 958	33 936 676	(1 732 718)	
Provisions and Employee Benefits	49 351 025	62 328 466	(12 977 441)	
<b>Total non current liabilities</b>	<b>81 554 983</b>	<b>96 265 142</b>	<b>(14 710 159)</b>	
<b>TOTAL LIABILITIES</b>	<b>156 670 544</b>	<b>160 767 654</b>	<b>(4 097 109)</b>	
<b>NET ASSETS</b>	<b>475 072 410</b>	<b>484 033 104</b>	<b>(8 960 694)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	432 356 587	450 498 494	(18 141 907)	
Reserves	42 715 822	33 534 610	9 181 212	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>475 072 409</b>	<b>484 033 104</b>	<b>(8 960 695)</b>	

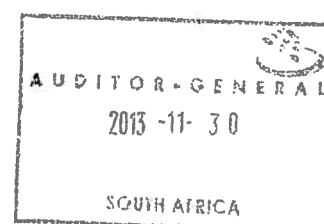




LANGE BERG MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	7 561 000	-	7 561 000	
Call investment deposits	80 000 000	-	80 000 000	
Consumer debtors	15 997 646	-	15 997 646	
Other Receivables	11 274 719	-	11 274 719	
Current portion of long-term receivables	1 484 000	-	1 484 000	
Inventory	5 619 000	-	5 619 000	
<b>Total current assets</b>	<b>121 936 365</b>	<b>-</b>	<b>121 936 365</b>	
<b>Non current assets</b>				
Long-term receivables	7 834 000	-	7 834 000	
Investments	6 000	-	6 000	
Investment property	19 413 000	-	19 413 000	
Property, plant and equipment	530 017 779	(35 650 386)	494 367 393	
Biological Assets	-	-	-	
Intangible Assets	1 244 000	-	1 244 000	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>558 514 779</b>	<b>(35 650 386)</b>	<b>522 864 393</b>	
<b>TOTAL ASSETS</b>	<b>680 451 144</b>	<b>(35 650 386)</b>	<b>644 800 758</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	3 483 061	-	3 483 061	
Consumer deposits	5 337 360	-	5 337 360	
Trade and other payables	41 554 611	-	41 554 611	
Provisions and Employee Benefits	14 127 480	-	14 127 480	
<b>Total current liabilities</b>	<b>64 502 512</b>	<b>-</b>	<b>64 502 512</b>	
<b>Non current liabilities</b>				
Borrowing	33 936 676	-	33 936 676	
Provisions and Employee Benefits	62 328 466	-	62 328 466	
<b>Total non current liabilities</b>	<b>96 265 142</b>	<b>-</b>	<b>96 265 142</b>	
<b>TOTAL LIABILITIES</b>	<b>160 767 654</b>	<b>-</b>	<b>160 767 654</b>	
<b>NET ASSETS</b>	<b>519 683 490</b>	<b>(35 650 386)</b>	<b>484 033 104</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	485 875 302	(35 376 808)	450 498 494	
Reserves	33 808 188	(273 578)	33 534 610	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>519 683 490</b>	<b>(35 650 386)</b>	<b>484 033 104</b>	

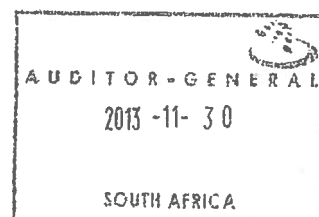


**LAUGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>REVENUE BY SOURCE</b>				
Property rates	29 867 702	30 162 100	(294 398)	
Property rates - penalties & interest charges	-	260 000	(260 000)	
Service charges	276 737 178	255 651 150	(180 824 02)	Decrease in demand for electricity due to increase in electricity tariff
Rental of facilities and equipment	2 644 316	1 713 780	930 536	
Interest earned - internal investments	4 155 715	3 350 000	805 715	
Interest earned - outstanding debt	1 617 164	1 620 000	(2 836)	
Dividends received	-	-	-	
Arrears of rates	1 250 989	-	1 250 989	
Full Value Added Tax	30 000	30 000	-	
Fines	1 079 319	3 297 280	(2 217 961)	
Proportionate Revenue	3 331 913	3 331 913	-	
State subsidies	30 000	-	30 000	
Grants and donations	1 239 530	1 308 500	(68 970)	
Agency services	1 829 048	1 196 000	633 048	
Government Grants and Subsidies	107 836 658	106 267 247	(1 569 411)	
Other revenue	10 558 844	13 140 000	(2 581 156)	
Costs on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>436 506 421</b>	<b>457 526 977</b>	<b>(20 920 556)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	118 437 567	125 238 180	(6 800 613)	Budgeted for a 5% increase. Actual increase of 7%
Remuneration of councilors	7 089 118	7 285 400	(196 282)	
Debt repayment	8 051 055	7 503 470	547 585	
Depreciation & asset impairment	16 753 805	21 152 130	(4 398 325)	R16 6M surplus on capital budget. Reduction of PPE to fair value.
Finance charges	7 143 891	7 072 280	71 611	
Bank purchases	180 152 747	185 535 110	(5 382 363)	Decrease in interest rate for electricity due to a decrease in electricity tariff
Other materials	12 087 894	12 083 572	4 322	
Contracted services	980 000	1 051 000	(71 000)	
Grants and subsidies paid	-	82 180	(82 180)	
Other expenditure	54 941 205	63 757 311	(8 816 106)	
Costs on disposal of PPE	550 618	-	550 618	
<b>Total Operating Expenditure</b>	<b>403 051 717</b>	<b>433 411 053</b>	<b>(30 359 336)</b>	
<b>Operating Surplus for the year</b>	<b>33 454 703</b>	<b>24 115 924</b>	<b>9 338 779</b>	

**LAUGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	2013 R (Final Variations)	2013 R (Final Year-end Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>						
Property rates	30 424 740	(267 640)	30 157 100	-	30 157 100	
Property rates - penalties & interest charges	260 000	-	260 000	-	260 000	
Service charges	295 525 820	(1 484 670)	294 041 150	-	294 041 150	
Rental of facilities and equipment	1 637 680	76 000	1 713 680	-	1 713 680	
Interest earned - internal investments	5 279 203	(1 929 203)	3 350 000	-	3 350 000	
Interest earned - outstanding debt	1 620 000	-	1 620 000	-	1 620 000	
Dividends received	-	-	-	-	-	
Fines	3 280 150	17 130	3 297 280	-	3 297 280	
Grants and donations	1 339 500	-	1 339 500	-	1 339 500	
Agency services	1 188 000	10 000	1 198 000	-	1 198 000	
State subsidies	30 000	-	30 000	-	30 000	
Other revenue	12 595 950	543 050	13 139 000	-	13 139 000	
Costs on disposal of PPE	-	-	-	-	-	
<b>Total Operating Revenue</b>	<b>448 856 000</b>	<b>8 688 887</b>	<b>457 544 887</b>	<b>-</b>	<b>457 544 887</b>	
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	125 328 780	(8 000)	125 320 780	5 100	125 325 880	
Remuneration of councilors	7 285 400	-	7 285 400	-	7 285 400	
Debt repayment	7 503 470	-	7 503 470	-	7 503 470	
Depreciation & asset impairment	16 681 000	4 470 210	21 151 210	-	21 151 210	Revisions done to facilitate sound rep and financial management
Finance charges	7 574 280	260 000	7 834 280	(761 900)	7 072 380	Revisions done to facilitate sound rep and financial management
Bank purchases	191 714 110	(5 182 000)	186 532 110	(26 000)	186 506 110	Revisions done to facilitate sound rep and financial management
Other materials	9 704 880	1 562 000	11 266 880	1 706 662	12 973 542	Revisions done to facilitate sound rep and financial management
Contracted services	2 519 420	(174 000)	2 345 420	(194 380)	2 151 040	Revisions done to facilitate sound rep and financial management
Grants and subsidies paid	82 180	-	82 180	-	82 180	Revisions done to facilitate sound rep and financial management
Other expenditure	58 546 800	5 640 800	64 187 600	(730 172)	63 457 428	Revisions done to facilitate sound rep and financial management
Costs on disposal of PPE	-	-	-	-	-	
<b>Total Operating Expenditure</b>	<b>426 941 350</b>	<b>9 471 000</b>	<b>436 412 350</b>	<b>(500)</b>	<b>436 411 850</b>	
<b>Operating Surplus for the year</b>	<b>21 914 650</b>	<b>(782 113)</b>	<b>21 132 537</b>	<b>500</b>	<b>21 133 037</b>	

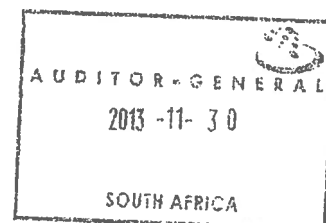


**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	319 720 156	320 352 560	(19 367 587)	
Government - operating	75 718 495	80 366 819	(4 648 324)	R 2 7 M of housing allocation not received
Government - capital	29 528 204	29 022 476	3 506 722	R 2 5 M of 2013/2014 library allocation received in 2012/2013
Interest	3 713 977	6 128 009	(2 365 032)	Decrease in call investment deposits of R 20M
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(168 602 301)	(179 424 013)	(40 119 291)	
Finance charges	(1 432 224)	(2 834 768)	4 431 956	
Transfers and Grants	-	(82 180)	82 180	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>55 845 180</b>	<b>75 521 292</b>	<b>(19 855 182)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	(3 037 003)	-	(3 037 003)	
Decrease/(increase) in non-current investments	(39 056)	-	(39 056)	
<b>Payments</b>				
Capital assets	(52 160 196)	(58 787 874)	6 618 678	R 1 2M budgeted for the Donorsville Reservoir could not be spent as amounts tendered exceeded the budgeted amounts
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(55 245 256)</b>	<b>(58 787 874)</b>	<b>3 542 518</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	(3 545 007)	-	(3 545 007)	
Increase/(decrease) in consumer deposits	481 112	305 360	95 752	
<b>Payments</b>				
Repayment of borrowing	-	(1 483 061)	3 483 061	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3 063 895)</b>	<b>(1 087 701)</b>	<b>33 898</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(2 833 064)</b>	<b>13 645 817</b>	<b>(16 778 871)</b>	
Cash and Cash Equivalents at the beginning of the year	73 915 183	73 915 183	-	
Cash and Cash Equivalents at the end of the year	71 082 129	87 561 000	(16 278 871)	

**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	325 370 838	(25 024 762)	300 352 560	
Government - operating	73 830 008	6 536 811	80 366 819	
Government - capital	29 876 000	5 146 476	29 022 476	
Interest	7 899 208	(1 779 200)	6 128 008	
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(129 728 138)	(2 895 877)	(129 424 013)	
Finance charges	(7 574 780)	(260 000)	(7 834 780)	
Transfers and Grants	(82 180)	-	(82 180)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>93 587 434</b>	<b>(18 076 947)</b>	<b>75 521 392</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(49 712 048)	(9 075 826)	(58 787 874)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(49 712 048)</b>	<b>(9 075 826)</b>	<b>(58 787 874)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	305 360	-	305 360	
<b>Payments</b>				
Repayment of borrowing	(1 483 061)	-	(1 483 061)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 087 701)</b>	<b>-</b>	<b>(1 087 701)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>42 787 687</b>	<b>(27 151 873)</b>	<b>13 645 817</b>	
Cash and Cash Equivalents at the beginning of the year	73 915 183	-	73 915 183	
Cash and Cash Equivalents at the end of the year	114 712 870	(27 151 873)	87 561 000	



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

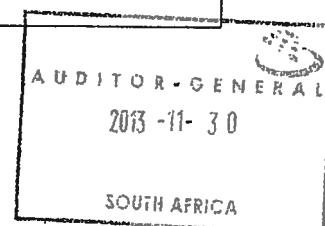
**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1*	Presentation of Financial Statements
GRAP 2*	Cash Flow Statements
GRAP 3*	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4*	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9*	Revenue from Exchange Transactions
GRAP 10*	Financial Reporting in Hyperinflationary Economics
GRAP 11*	Construction Contracts
GRAP 12*	Inventories
GRAP 13*	Leases
GRAP 14*	Events after the Reporting Date
GRAP 16*	Investment Property
GRAP 17*	Property, Plant and Equipment
GRAP 19*	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash-Generating Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 26	Impairment of Cash-Generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 100*	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture



**LANGEBERG MUNICIPALITY**

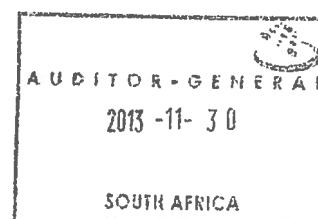
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

\*The Municipality resolved to early adopt the revised GRAP standards which have been issued but are not effective yet.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013



**LANEGERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances.

The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

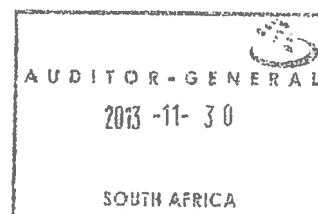
**1.6. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;



**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

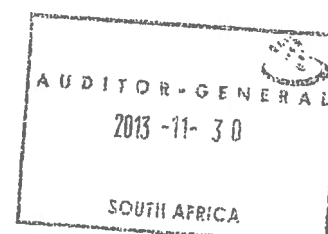
The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
<b>GRAP 7 (Revised)</b>	<b>Investments in Associate</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
<b>GRAP 8 (Revised)</b>	<b>Interest In Joint Ventures</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.



**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.8. RESERVES**

**1.8.1 Capital Replacement Reserve (CRR)**

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

**1.9. LEASES**

**1.9.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

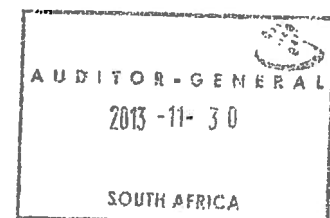
Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.





**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.13. PROVISIONS**

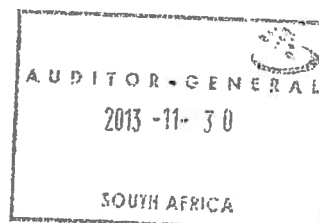
Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

**1.13. EMPLOYEE BENEFITS**

**(a) Post Retirement Medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

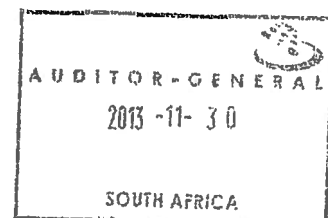
**(b) Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Ex gratia Gratulities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(e) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(f) Performance bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

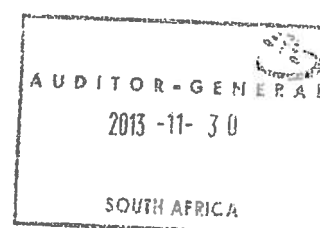
**(g) Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than

defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.14. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.



## 1.15. PROPERTY, PLANT AND EQUIPMENT

### 1.15.1 Initial Recognition

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

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	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	1-100	Buildings	1-100
Pedestrian Malls	1-100	Specialist vehicles	10-20
Electricity	1-80	Other vehicles	4-45
Water	1-125	Furniture and Office equipment	1-100
Sewerage	1-100	Plant and Equipment	1-40
Housing	1-105	Landfill sites	15
		Quarries	25
		Computer equipment	2-20
<b><u>Community</u></b>			
Buildings	1-105		
Recreational Facilities	7-100		
Security	5		
Halls	1-105		
Libraries	1-100		
Parks and gardens	1-100		
Other assets	7-100		
<b><u>Finance lease assets</u></b>			
Office equipment	2-22		
Other assets	2-22		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

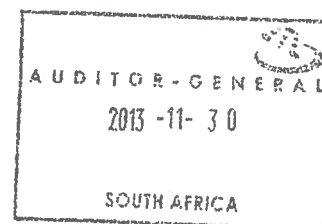
Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.15.6 Capitalised Restoration Cost**

The Municipality treat the Capital Restoration Cost on landfill sites in the same manner as Property, Plant and Equipment in accordance with 1.15.1 to 1.15.5 of this Accounting Policy and depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.16. INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset 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, its deemed cost is the carrying amount of the asset(s) given up.

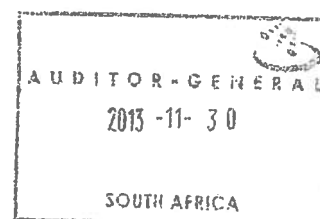
**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives

are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-7
Computer Software Licenses	2-7

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.17. INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property shall be recognised as an asset when; and only when:

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

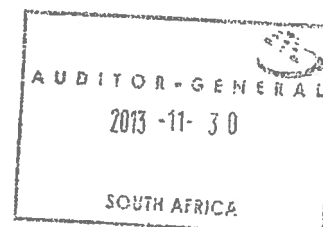
Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

**1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.



LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**1.17.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	1-100

**1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.18 HERITAGE ASSETS**

**1.18.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

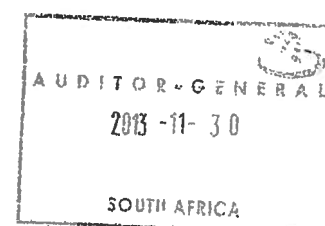
**1.18.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.





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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.18.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.18.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an

asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

**1.19. NON-CURRENT ASSETS HELD FOR SALE**

**1.19.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**1.19.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

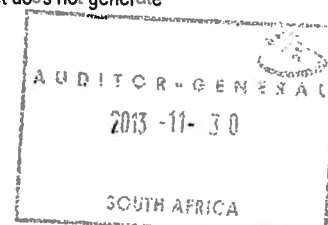
**1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.20.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.20.2 Non-cash-generating assets**

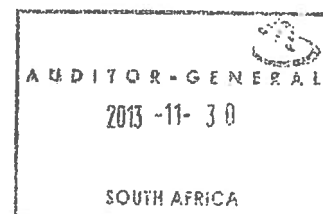
Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

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



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conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.21. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

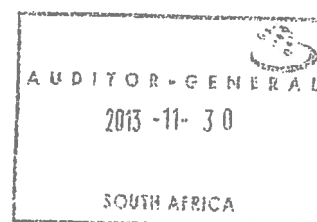
The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.22. INVENTORIES**

**1.22.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**1.22.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

**1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

**1.23.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

**1.23.2 Subsequent Measurement**

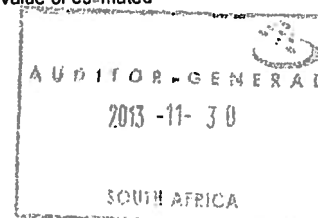
Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.23.2.2 Trade and Other Receivables**

Trade and other receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated



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future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.23.2.3 Trade and Other Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.23.2.4 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.23.3 De-recognition of Financial Instruments**

**1.23.3.1 Financial Assets**

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

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

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.23.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.23.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.24. REVENUE**

**1.24.1 Revenue from Non-Exchange Transactions**

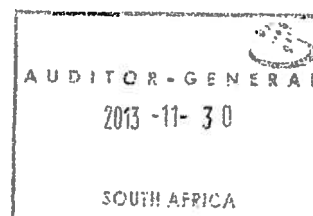
Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable 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 a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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.

Revenue shall be measured at the fair value of the consideration received or receivable.

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

**1.24.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Trade and Other Payables in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

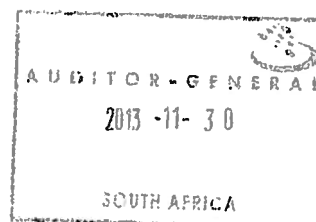
Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.24.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.25. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.





**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.26. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (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.

**1.28. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

**1.29. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events,

but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.



**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

Management judgement is required when recognising and measuring contingent liabilities.

**1.30. PRESENTATION OF BUDGET INFORMATION**

GRAP 24: Presentation of Budget Information is applied.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates,

expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of trade receivables***

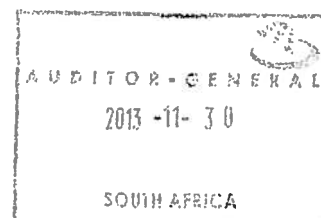
The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, plant and equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



**LANGEBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

***Intangible assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by Management of the Municipality.

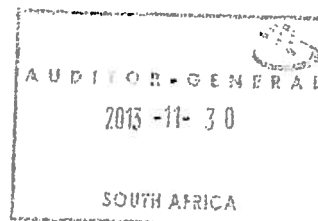
In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

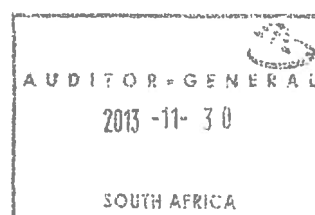


NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>2 NET ASSET RESERVES</b>		
Capital Replacement Reserve	42 715 022	45 000 000
Total Net Asset Reserves	42 715 022	45 000 000
<b>3 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	34 960 063	38 483 299
Capitalised Lease Liability - At amortised cost	2 330 637	12 288
	37 290 700	38 495 587
Current Portion transferred to Current Liabilities	4 242 681	3 481 454
Annuity Loans - At amortised cost	3 522 662	3 468 166
Capitalised Lease Liability - At amortised cost	720 019	12 288
	33 048 019	35 014 133
Unamortised charges on loans	(844 061)	(860 380)
Balance 1 July	880 380	949 816
Adjustment for the period	(36 319)	(60 436)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	32 203 958	34 153 753
Refer below for maturity dates of long term liabilities		
The obligations under annuity loans are scheduled below		
	Minimum annuity payments	
Amounts payable under annuity loans		
Payable within one year	6 497 788	7 041 835
Payable within two to five years	25 799 267	24 771 975
Payable after five years	19 674 542	28 717 232
	51 471 597	60 531 042
<u>Less:</u> Future finance obligations	(18 511 534)	(22 047 743)
Present value of annuity obligations	34 860 063	38 483 299

Annuity loans at amortised cost is calculated at 9.29% interest rate, with a maturity date of 31 March 2027

The obligations under finance leases are scheduled below		
	Minimum lease payments	
Amounts payable under finance leases		
Payable within one year	966 349	32 061
Payable within two to five years	1 843 312	25 870
Payable after five years	-	-
	2 809 661	57 931
<u>Less:</u> Future finance obligations	(479 024)	(45 643)
Present value of lease obligations	2 330 637	12 288



# NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Leases are secured by property, plant and equipment - Note 13

The capitalised lease liability consist out of the following contracts:

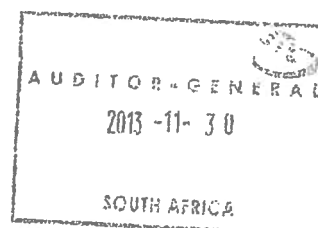
Contract	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
MINOLCO	Minolta B283 - F041011906	10.50%	0%	36 months	2015/11/30
MINOLCO	Minolta B283 - F041015012	10.50%	0%	36 months	2015/11/30
MINOLCO	Minolta B773 - G041101050	10.50%	0%	36 months	2016/03/31
SASFH	Xerox WCS300 - 3322715985	15.00%	0%	36 months	2015/07/25
SASFIN	Xerox WC7535 - 3906110325	8.50%	0%	36 months	2015/12/04
SASFH	Xerox C09303 - 3661801750	8.50%	0%	36 months	2016/03/25
SASFIN	Xerox C09303 - 3661794673	8.50%	0%	36 months	2016/03/25
SASFIN	TASKalfa (Black) - N493215179	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215430	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493213192	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215409	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493213124	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215435	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493212198	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493214896	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493113657	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493212209	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215170	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215208	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493212204	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493212189	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215219	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215400	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215388	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493113664	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493213169	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215003	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493214906	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493215361	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Black) - N493213140	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Colour) - N2K3205727	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Colour) - N2K2803951	14.50%	0%	36 months	2016/06/25
SASFIN	TASKalfa (Colour) - N2K2705329	14.50%	0%	36 months	2016/06/25

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance

Assets pledged as security:

A bond is registered on the Town Hall of Ashton in favour of the Development Bank of South Africa as security for the following loans:

- Extension - Municipal Offices
- Vehicle Testing Station
- Paving
- Electrification - Industrial Area



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

<b>4</b>	<b>EMPLOYEE BENEFITS</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Post Retirement Benefits - Refer to Note 4.1	30 150 817	36 030 296
	Long Service Awards - Refer to Note 4.2	5 767 847	5 096 187
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>44 928 664</b>	<b>42 035 483</b>
	<b>Post Retirement Benefits</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Balance 1 July	38 093 900	31 814 008
	Contribution for the year	1 952 776	1 797 516
	Interest Cost	2 977 342	2 719 881
	Expenditure for the year	(1 283 328)	(918 137)
	Actuarial Loss / (Gain)	(1 750 989)	2 685 627
	<b>Total post retirement benefits 30 June</b>	<b>40 489 701</b>	<b>38 093 900</b>
	<b>Less: Transfer of Current Portion - Note 7</b>	<b>(1 330 884)</b>	<b>(1 154 604)</b>
	<b>Balance 30 June</b>	<b>39 158 817</b>	<b>36 939 296</b>
	<b>Long Service Awards</b>		
	Balance 1 July	5 508 217	4 853 520
	Contribution for the year	650 245	617 827
	Interest Cost	344 142	354 111
	Expenditure for the year	(402 646)	(753 848)
	Actuarial Loss	375 288	436 607
	<b>Total long service 30 June</b>	<b>6 475 246</b>	<b>5 508 217</b>
	<b>Less: Transfer of Current Portion - Note 7</b>	<b>(707 399)</b>	<b>(412 030)</b>
	<b>Balance 30 June</b>	<b>5 767 847</b>	<b>5 096 187</b>
	<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
	Balance 1 July	43 602 117	36 667 528
	Contribution for the year	2 603 021	2 410 343
	Interest cost	3 321 484	3 073 882
	Expenditure for the year	(1 685 574)	(1 671 980)
	Actuarial Loss / (Gain)	(875 701)	3 122 734
	<b>Total employee benefits 30 June</b>	<b>46 964 947</b>	<b>43 602 117</b>
	<b>Less: Transfer of Current Portion - Note 7</b>	<b>(2 036 283)</b>	<b>(1 566 634)</b>
	<b>Balance 30 June</b>	<b>44 928 664</b>	<b>42 035 483</b>

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	171	176
In-service (employee) non-members	516	497
Continuation members (e.g. Retirees, widows, orphans)	51	47
<b>Total Members</b>	<b>738</b>	<b>720</b>

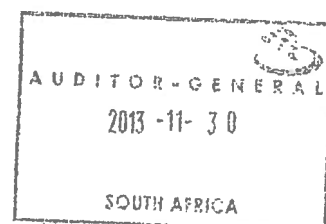
The liability in respect of post service has been estimated to be as follows:

In-service members	22 129 383	21 686 401
Continuation members	18 360 338	16 397 499
<b>Total Liability</b>	<b>40 489 701</b>	<b>38 093 900</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>
In-service members	18 509 610	15 153 335	12 079 972
Continuation members	13 304 398	13 012 335	11 823 388
<b>Total Liability</b>	<b>31 814 008</b>	<b>28 165 670</b>	<b>23 903 360</b>

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	(0.025)	0.061	(1.843)	1.728
Assets: Gain / (loss)	0.000	0.000	0.000	0.000



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUE)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas,  
Hoemed  
LA Health  
Samumed, and  
Keyhealth

Key actuarial assumption used	2013 %	2012 %
I) Rate of Interest		
Discount rate	8.17%	7.93%
Health Care Cost Inflation Rate	7.74%	6.94%
Net Effective Discount Rate	0.96%	0.93%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

II) Mortality rates

The PA50 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

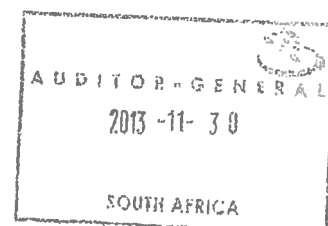
	2013 R	2012 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	40 489 701	38 093 900
Net liability (asset)	40 489 701	38 093 900
The fund is wholly unfunded		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	38 093 900	31 814 008
Total expenses	3 646 790	3 594 265
Current service cost	1 952 776	1 782 516
Interest Cost	2 977 342	2 719 881
Benefits Paid	(1 283 328)	(918 132)
Actuarial Loss / (Gain)	(1 250 988)	2 685 627
Present value of fund obligation at the end of the year	40 489 701	38 093 900
LESS: Transfer of Current Portion - Note 7	(1 330 894)	(1 154 604)
Balance 30 June	39 158 817	36 939 296

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	22 129	18 36	40 489	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	25 600	20 738	46 038	14%
Health care inflation	-1%	18 909	16 719	35 628	-12%
Post-retirement mortality	-1 year	22 860	19 128	41 988	4%
Average retirement age	-1 year	24 055	18 360	42 415	5%
Withdrawal Rate	-50%	24 241	18 360	42 601	5%



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUED)

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		1 952 800	2 977 300	4 930 100	
Health care inflation	1%	2 406 000	3 472 900	5 878 900	19%
Health care inflation	-1%	1 601 500	2 574 700	4 176 200	-15%
Post retirement mortality	-1 year	2 015 741	3 080 100	5 103 600	4%
Average retirement age	-1 year	2 138 300	3 121 000	5 259 300	7%
Withdrawal Rate	-50%	2 251 800	3 144 900	5 396 700	9%

2013 2012

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans

As at year end the following number of employees were eligible for Long Service Bonuses

671 673

Key actuarial assumptions used

2013 2012  
% %

i) Rate of Interest

Discount rate	7.33%	6.49%
General Salary Inflation (long-term)	6.60%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.49%	0.49%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

2013 2012  
R R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	6 475 246	5 508 217
Net liability	6 475 246	5 508 217

The liability in respect of periods commencing prior to the comparative year has been estimated as follows

	2011	2010	2009
	R	R	R
Total Liability	4 853 529	4 016 482	3 633 984
	2013	2012	2011

Experience adjustments were calculated as follows

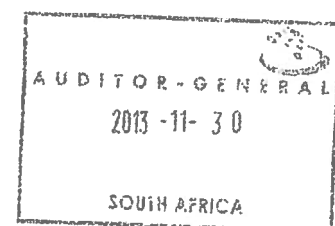
Liabilities (Gain) / loss	410,669	(102,179)	102,483	119,888
Assets (Gain) / (loss)	0 000	0 000	0 000	0 000

Reconciliation of present value of fund obligation:

	2013	2012
	R	R
Present value of fund obligation at the beginning of the year	5 508 217	4 653 520
Total expenses	591 741	218 090
Current service cost	650 245	617 827
Interest Cost	344 142	354 111
Benefits Paid	(402 646)	(753 848)
Actuarial Loss / (Gain)	375 288	436 607
Present value of fund obligation at the end of the year	6 475 246	5 508 217
Less: Transfer of Current Portion - Note 7	(707 399)	(412 030)
Balance 30 June	5 767 847	5 096 187

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		6 475	-
General salary inflation	1.00%	6 928	7%
General salary inflation	-1.00%	6 066	-6%
Average retirement age	-2 yrs	5 518	-15%
Average retirement age	+2 yrs	7 534	16%
Withdrawal rates	-50.00%	7 800	20%





NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

EMPLOYEE BENEFITS (CONTINUED)

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		650 200	344 100	994 300	
Health care inflation	1%	694 700	370 300	1 065 000	7%
Health care inflation	-1%	610 900	370 500	931 400	6%
Post retirement mortality	-2 years	544 200	290 800	835 000	-16%
Average retirement age	-2 years	719 100	401 800	1 120 900	13%
Withdrawal Rate	-50%	833 400	422 800	1 256 200	26%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.1.

CAPE JOINT PENSION FUND	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Contributing members
The contribution rate payable is 9% by members and 18% by Council	June 2012	3 014 878	3 033 165	1

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.4% (30 June 2011 - 98.1%).

Contributions paid recognised in the Statement of Financial Performance

183 / 16 103 369

CAPE RETIREMENT FUND	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Contributing members
The contribution rate payable is 9% by members and 18% by Council	June 2012	10 775 599	10 783 579	525

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 108.0% (30 June 2011 - 116.9%).

Contributions paid recognised in the Statement of Financial Performance

15 736 699 14 670 077

DEFINED CONTRIBUTION FUNDS

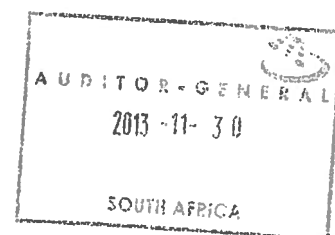
Council contributes to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Contributing members
South African Local Authorities Pension Fund	July 2010	7 110 300	7 417 900	33
Municipal Councilors Pension Fund	June 2006	1 731 055	1 731 055	0
SAMWU National Provident Fund	June 2007	2 764 426	2 764 426	118

Note: The results of the actuarial valuations dated 30 June 2008 for SAMWU National Provident Fund and 30 June 2009 for Municipal Councilors Pension Funds are not yet available.

Contributions paid recognised in the Statement of Financial Performance

Sala Pension Fund	1 108 197	1 034 388
Municipal Councilors Pension Fund	-	5 575
SAMWU National Provident Fund	2 681 411	2 595 532
	<u>3 789 608</u>	<u>3 635 495</u>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of landfill sites	4 424 361	3 855 324
Total Non-current Provisions	4 424 361	3 855 324

The Municipality operates on four landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each site when it reaches 100% capacity. The expected cash flow outflow, within one year, is related to the McGregor site, which reached 100% capacity and the cost is represented by the short term portion of the non-current provision. The other landfill sites in operation are Montagu, Bonnievale and Ashton.

	2013 R	2012 R
<u>Landfill Sites</u>		
Balance 1 July	4 387 785	3 866 699
Contribution for the year	417 702	200 054
Expenditure incurred (Interest)	265 054	321 032
Total provision 30 June	5 070 541	4 387 785
Less: Transfer of Current Portion to Current Provisions - Note 6	(646 180)	(532 461)
Balance 30 June	4 424 361	3 855 324

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Montagu	Bonnievale	McGregor	Ashton
Area (m <sup>2</sup> )	11 333	9 100	7 639	43 840
Rehabilitation volume (m <sup>3</sup> )	10 993	6 825	7 639	41 429
Fence (m)				
Total Cost	1 153 953	402 111	646 180	2 868 299

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation 2013 R
Montagu	2013	1 153 953
Bonnievale	2021	402 111
McGregor	2012	646 180
Ashton	2014	2 868 299

6 CONSUMER DEPOSITS		
Municipal services	6 570 594	6 079 487
Total Consumer Deposits	6 570 594	6 079 487
Guarantees held in lieu of Electricity and Water Deposits	2 388 361	2 313 674

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	1 330 884	1 154 604
Current Portion of Long Service Provisions - Note 4	707 399	412 030
Staff Leave	6 444 076	6 391 979
Performance Bonuses	287 686	605 392
Bonuses	3 292 640	3 041 415
Total Current Employee Benefits	12 062 638	11 605 420

The movement in current employee benefits is reconciled as follows:

<u>Staff Leave</u>		
Balance at beginning of year	6 391 979	6 092 648
Contribution to current portion	2 262 335	2 125 486
Expenditure incurred	(2 210 286)	(1 826 155)
Balance at end of year	6 444 028	6 391 979

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

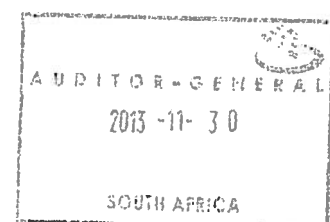
7	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2013 R	2012 R
	<u>Performance Bonuses</u>		
	Balance at beginning of year	605 392	642 719
	Contribution / (Reversal) to current portion	(2 853)	497 740
	Expenditure incurred	(314 752)	(526 075)
	Balance at end of year	287 686	605 392
	Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.		
		2013 R	2012 R
	<u>Bonuses</u>		
	Balance at beginning of year	3 041 415	2 706 104
	Contribution to current portion	5 962 706	5 683 692
	Expenditure incurred	(5 711 480)	(5 348 381)
	Balance at end of year	3 292 640	3 041 415
	Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.		
8	PROVISIONS		
	SALA Pension Fund		1 470 110
	Cape Joint Pension Fund	714 099	562 777
	Current Portion of Rehabilitation of Landfill-sites - Item 5	646 180	539 461
	Total Provisions	1 360 279	2 555 348
	<u>SALA Pension Fund</u>		
	Balance at beginning of year	1 470 110	1 243 363
	Expenditure incurred (Interest)	251 531	226 747
	Expenditure incurred	(1 721 641)	
	Balance at end of year	(0)	1 470 110
	<u>Cape Joint Pension Fund</u>		
	Balance at beginning of year	552 777	505 370
	Expenditure incurred (Interest)	161 323	47 407
	Balance at end of year	714 099	552 777
9	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	34 299 760	28 256 086
	Payments received in advance	3 154 434	3 844 723
	Retentions and Guarantees	885 686	534 524
	Sundry Deposits	2 335 404	2 203 439
	Sundry Creditors	54 553	41 773
	Total Trade Payables	40 829 847	34 880 545

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as presented by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

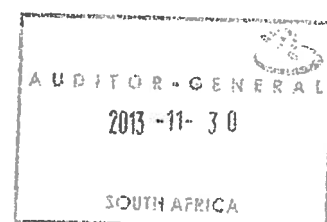
The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and other general deposits.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
Unspent Grants	9 661 673	6 980 484
National Government Grants	156 196	1 720 321
Provincial Government Grants	8 485 418	4 749 106
District Municipality	1 020 058	1 020 058
<u>Less: Unpaid Grants</u>	250 000	0
National Government Grants	250 000	0
Provincial Government Grants	0	0
District Municipality	-	-
<b>Total Conditional Grants and Receipts</b>	<b>9 411 673</b>	<b>6 980 484</b>
Reconciliation of total grants and receipts		
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. Application was sent to National Treasury that the unspent grant at 30 June 2013 be taken up in the second adjustments budget of 2013/2014 financial year.		
<b>11 UNSPENT PUBLIC CONTRIBUTIONS</b>		
<b>11.1 Silver Strand Home Owners Association</b>	<b>62 849</b>	<b>62 849</b>
Utzig Pannatol	325 000	-
<b>Total Unspent Public Contributions</b>	<b>387 849</b>	<b>62 849</b>
Reconciliation of public contributions		
<u>Silver Strand Home Owners Association</u>		
Opening balance	62 849	62 849
Contributions received	-	-
Conditions met - Transferred to revenue	-	-
<b>Closing balance</b>	<b>62 849</b>	<b>62 849</b>
The Silver Strand Home Owners Association had to make a contribution for the construction of infrastructure. The project is not yet complete.		
<b>11.2 Utzig Pannatol</b>		
Opening balance	-	-
Contributions received	325 000	-
Conditions met - Transferred to revenue	-	-
<b>Closing balance</b>	<b>325 000</b>	<b>-</b>
Pannatol contributed 325 000 to the municipality to be spent in the Utzig Area.		
<b>12 TAXES</b>		
<b>12.1 VAT PAYABLE</b>		
VAT Payable	228 011	965 755
VAT output in suspense	6 199 905	5 747 575
Less: Impairment of VAT receivables	(3 212 352)	(2 910 965)
<b>Total Vat payable</b>	<b>3 215 564</b>	<b>3 802 365</b>
<b>12.2 VAT RECEIVABLE</b>		
VAT input in suspense	3 755 374	2 958 433
<b>Total VAT receivable</b>	<b>3 755 374</b>	<b>2 958 433</b>
<b>12.3 NET VAT RECEIVABLE(PAYABLE)</b>	<b>539 810</b>	<b>(842 932)</b>
VAT is receivable/payable on the cash basis		



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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

Assets pledged as security:

A bond is registered on the Town Hall of Ashton in favour of the Development Bank of South Africa as security for the following loans:

- Extension - Municipal Offices
- Vehicle Trestle Station
- Pavers
- Electrification - Industrial Area

Impairment Reversals were identified during the reporting period. Refer to Note 34.

14 INVESTMENT PROPERTY

	2013 R	2012 R
Net Carrying amount at 1 July	27 014 467	27 347 336
Cost	28 588 905	28 880 905
Under Construction	-	-
Accumulated Depreciation	(1 584 438)	(1 533 569)
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	(14 000)	(1 000)
Depreciation for the year	(49 329)	(50 869)
Impairment	-	-
Transfers to Inventory - cost	-	-
Transfers to Inventory - accumulated depreciation	-	-
Transfers Assets Held for Sale	-	(281 000)
Transfers from Property, Plant and equipment - cost	-	-
Transfers from Property, Plant and equipment - accumulated depreciation	-	-
Net Carrying amount at 30 June	26 951 138	27 014 467
Cost	28 588 905	28 880 905
Accumulated Depreciation	(1 633 767)	(1 584 438)
Accumulated Impairment	-	-

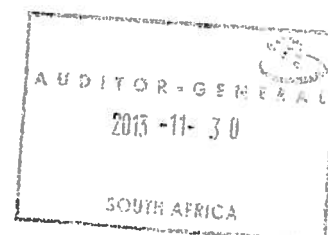
There are no restrictions on the realisability of Investment Property or the commitment of revenue and proceeds of disposal.

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

Revenue derived from the rental of investment property

Operating expenditure incurred on properties

594 542	577 493
3 437 020	3 460 881



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>15 INTANGIBLE ASSETS</b>		
Computer Software		
Net Carrying amount at 1 July	516 048	881 642
Cost	2 560 071	2 185 905
Accumulated Amortisation	(2 044 023)	(1 325 263)
Accumulated Impairment	-	-
Acquisitions	30 145	373 165
Amortisation	(251 335)	(718 760)
Impairments	-	-
Disposals	-	-
Net Carrying amount at 30 June	303 858	516 048
Cost	2 589 216	2 560 071
Accumulated Amortisation	(2 285 358)	(2 044 023)
Accumulated Impairment	-	-

The following material intangible assets are included in the carrying value above:

	Carrying Value	2013 R	2012 R
<u>Description</u>	<u>Remaining Amortisation Period</u>		
Microsoft Office	7	303 858	516 048

No intangible asset was assessed having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose life is indefinite. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

	2013 R	2012 R
<b>16 HERITAGE ASSETS</b>		
Net Carrying amount at 1 July	939 000	939 000
Acquisitions	-	-
Disposals	-	-
Impairments	-	-
Reversal of impairment losses	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	939 000	939 000
Cost	939 000	939 000
Accumulated Impairment	-	-
Balance previously reported	-	-
Change in accounting policy - Refer to note 39.1	-	939 000
		<u>939 000</u>

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

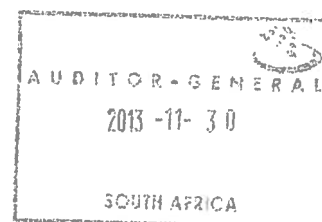
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities.

Third party payments received for losses and impairments incurred:

Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost/impairment	-	-
Surplus/Deficit	-	-

	2013 R	2012 R
<b>17 CAPITALISED RESTORATION COST</b>		
Net Carrying amount at 1 July	200 654	295 847
Cost	4 008 921	3 808 867
Accumulated Depreciation	(3 808 867)	(3 513 020)
Accumulated Impairments	-	-
Acquisitions / Additions	417 703	200 654
Under Construction - Cost	-	-
Disposals	-	-
Depreciation for the year	(200 054)	(295 847)
Impairment for the year	-	-
Net Carrying amount at 30 June	417 704	200 654
Cost	4 426 625	4 008 921
Accumulated Depreciation	(4 008 921)	(3 808 867)
Accumulated Impairments	-	-





NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18 NON-CURRENT INVESTMENTS

Listed Investments	12 420	9 653
Unlisted Investments	70 197	41 896
Total Non-Current Investments	90 617	51 549

Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares.

The listed shares represent 270 Sunbeam Shares and Unlisted Shares represent 1028 KVV Shares and 102/5 Capevin Shares held at fair value, available for sale.

The market value per share at year end Sunbeam Shares	46.00	35.75
The market value per share at year end KVV Shares	8.10	10.27
The market value per share at year end Capevin Shares	6.70	3.05

19 LONG-TERM RECEIVABLES

	2013 R	2012 R
Provincial Government Housing Loans - At amortised cost	3 137 775	3 053 281
Staff Study Loans - At amortised cost	35 144	35 144
Services connections - At amortised cost	510 299	607 492
Land Sales - At amortised cost	1 146 492	626 775
Short-term Installments	110 653	126 582
Agreements with Consumer Debtors	12 370 617	9 742 612
	17 318 979	14 281 886
Less: Current portion transferred to current receivables	(1 496 547)	(2 167 412)
	15 822 432	12 114 474
Less: Provision for Impairment	(12 370 617)	(9 742 612)
Total Long Term Receivables	3 451 815	2 371 861

The Provincial Government Housing Loans are receivable from various customers. When tested for impairment, management determined that none of the financial assets are individually significant therefore impairment was performed on a group basis.

SERVICES CONNECTIONS

The Services connections are receivable from various customers. When tested for impairment, management determined that none of the financial assets are individually significant therefore impairment was performed on a group basis.

LAND SALES

The Land sales are receivable from various customers. When tested for impairment, management determined that none of the financial assets are individually significant therefore impairment was performed on a group basis.

AGREEMENTS WITH CONSUMER DEBTORS

The agreements with consumer debtors are receivable from various customers. When tested for impairment, management determined that none of the financial assets are individually significant therefore impairment was performed on a group basis.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	9 742 612	11 247 903
Contribution to provision (Reversal of provision)	2 628 004	(1 505 290)
Bad Debts Written Off	-	-
Balance at end of year	12 370 617	9 742 612

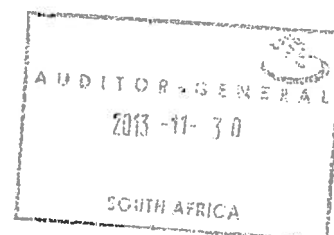
20 NON-CURRENT ASSETS HELD FOR SALE

Land and Buildings	3 460 209	1 464 340
	3 460 209	1 464 340

The disposal group consists of residential and commercial sites throughout the entire Municipal area. It has been made available in public.

21 INVENTORY

Maintenance Materials - At cost	10 233 564	9 670 416
Compost - at cost	-	58 840
Water - at cost	69 035	79 503
Low Cost Housing	11 376 728	3 536 320
Total Inventory	21 679 328	13 344 079
Balance previously reported		13 179 204
Correction of error - Refer to note 40.5		164 875
		13 344 079
Consumable stores materials written down due to damages as identified during the annual stores counts	24 257	72 268
Consumable stores materials surpluses identified during the annual stores counts	2 420	69 249
Inventory recognised as an expense during the year	7 585 193	16 670 838
Write down of inventory to the lower of Cost or Net Realisable Value	58 288	112 182



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	17 751 185	16 927 578
Water	5 251 522	5 790 032
Refuse	3 016 454	2 811 464
Sewerage	3 838 384	3 580 952
Housing Rentals	534 340	613 760
Other Receivables	7 12 836	5 571 604
Other	13 380 318	13 047 368
Total Receivables from Exchange Transactions	44 485 037	48 350 767
Less Provision for Impairment	(13 175 944)	(13 816 530)
<b>Total Net Receivables from Exchange Transactions</b>	<b>31 309 093</b>	<b>34 534 238</b>
Balance previously reported		28 483 086
Correction of error Refer to note 40.4		6 051 231
		<b>34 534 238</b>
Consumer Trade Receivables are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	15 092 661	14 032 080
31 - 60 Days	447 312	471 116
61 - 90 Days	268 175	347 038
+ 90 Days	1 943 036	2 076 535
<b>Total</b>	<b>17 751 185</b>	<b>16 927 578</b>
<u>(Water): Ageing</u>		
Current (0 - 30 days)	2 620 603	2 080 217
31 - 60 Days	409 975	357 309
61 - 90 Days	260 791	239 797
+ 90 Days	1 952 153	3 200 710
<b>Total</b>	<b>5 251 522</b>	<b>5 790 032</b>
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 101 973	861 268
31 - 60 Days	178 830	124 113
61 - 90 Days	129 569	103 420
+ 90 Days	1 606 081	1 722 664
<b>Total</b>	<b>3 016 454</b>	<b>2 811 464</b>
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 385 226	1 061 194
31 - 60 Days	231 905	157 498
61 - 90 Days	166 485	131 726
+ 90 Days	2 054 768	2 230 534
<b>Total</b>	<b>3 838 384</b>	<b>3 580 952</b>
<u>(Other): Ageing</u>		
Current (0 - 30 days)	12 923 892	17 449 015
31 - 60 Days	116 527	70 163
61 - 90 Days	50 237	71 115
+ 90 Days	1 536 836	1 641 547
<b>Total</b>	<b>14 627 494</b>	<b>19 232 740</b>
<u>(Totals): Ageing</u>		
Current (0 - 30 days)	33 132 356	35 404 683
31 - 60 Days	1 384 549	1 180 198
61 - 90 Days	875 257	653 897
+ 90 Days	9 052 876	10 871 950
<b>Total</b>	<b>44 485 037</b>	<b>48 350 767</b>
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	13 816 530	11 494 510
Contribution to provision/(Reversal of provision)	5 950 446	3 776 344
Bad Debts Written Off	(6 601 032)	(1 454 324)
<b>Balance at end of year</b>	<b>13 175 944</b>	<b>13 816 530</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	3 427 705	3 617 461
Water	3 162 953	3 582 573
Refuse	2 062 827	1 978 608
Sewerage	2 676 799	2 573 144
Other	1 845 660	2 064 745
<b>Total</b>	<b>13 175 944</b>	<b>13 816 530</b>
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013 R	2012 R
Notes	7 244 039	6 893 255
Other Receivables	5 666 330	5 372 946
Accrued Interest	301 184	728 854
Availability charges	4 318 684	3 662 547
Other	1 046 463	981 546
Total Receivables from Non-Exchange Transactions	12 910 369	12 266 201
Less Provision for impairment	(9 200 550)	(8 303 896)
Total Net Receivables from Non-Exchange Transactions	3 629 819	3 962 305

Trade Receivables with a total outstanding balance of R 12 370 617 (2012 - R 9 747 612) have arranged to settle their account over a re-negotiated period. The total value have been deferred beyond 12 months after year end and subsequently included as part of long term Trade Receivables.

Refer to note 19 for balances deferred beyond 12 months from year end.

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

> 90 Days

Total

1 912 323	2 239 915
192 336	190 918
168 148	160 236
4 971 233	4 274 186
7 244 039	6 893 255

Reconciliation of Provision for Bad Debts

Balance at beginning of year

Contribution to provision/(Reversal of provision)

Bad Debts Written Off

Balance at end of year

8 303 896	6 063 412
976 655	2 240 483
-	-
9 280 550	8 303 896

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

24 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Assets)

Balance on 1 July

Movement during the year

Balance on 30 June

70 021	58 063
57 509	11 960
127 530	70 021

Balance previously reported (Note 24)

Correction of Error: Lease Contracts not included in Lease Register 2010/2011 - Refer to note 40.2

Previous Movement

Correction of Error: Lease Contracts not included in Lease Register 2011/2012 - Refer to note 40.2

Correction of Error: Lease Agreements cancelled in 2011/2012 - Refer to note 40.2

32 641
25 422
4 276
9 019
(1 330)
70 021

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year

1 to 5 Years

More than 5 Years

Total Operating Lease Arrangements

889 487	463 022
817 843	326 802
688	-
1 708 017	789 824

This lease income was determined from contracts that have a specific conditional income. It does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out.

25 CASH AND CASH EQUIVALENTS

Assets

Cash Investments/Deposits

Bank Accounts

Cash Funds

Total Cash and Cash Equivalents - Assets

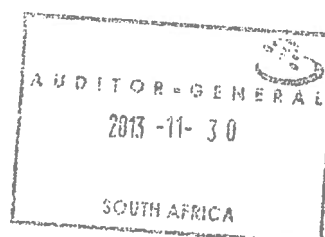
60 000 000	70 000 000
11 274 412	3 906 756
77 17	8 421
71 282 129	73 915 183

Liabilities

Primary Bank Account

Total Cash and Cash Equivalents - Liabilities

-	-
-	-



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

25 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality do not have a bank overdraft facility. Management did not deem it necessary.

The municipality has the following bank accounts:

Current Accounts

	2013 R	2012 R
Primary Bank account	11 272 112	3 904 456
Traffic bank account	2 300	2 300
	<u>11 274 412</u>	<u>3 906 756</u>

Traffic account is cleared daily to Primary Bank Account.

Primary Bank account Montagu ABSA - Account Number 1050 000 008

Cash book balance at beginning of year	3 904 456	10 058 047
Cash book balance at end of year	<u>11 272 112</u>	<u>3 904 456</u>

Bank statement balance at beginning of year	3 671 466	10 285 753
Bank statement balance at end of year	<u>11 377 775</u>	<u>3 671 466</u>

Traffic bank account Montagu ABSA - Account Number 406 272 8351

Cash book balance at beginning of year	2 300	2 300
Cash book balance at end of year	<u>2 300</u>	<u>2 300</u>

Bank statement balance at beginning of year	1 400	2 300
Bank statement balance at end of year	<u>1 250</u>	<u>1 400</u>

Call Investment Deposits

Call investment deposits consist of the following accounts:

ABSA	Account Number 20 72488246	-	15 000 000
Investec	Account Number 458195	30 000 000	25 000 000
Nedbank	Account Number 03/788103497 16000006	30 000 000	-
Standard Bank	Account Number 788467698	-	30 000 000
		<u>60 000 000</u>	<u>70 000 000</u>

26 PROPERTY RATES

Actual

Rateable Land and Buildings	37 064 317	34 762 852
Residential, Commercial Property, State	<u>37 064 317</u>	<u>34 762 852</u>
Loss: Rebates	(7 257 616)	(6 833 202)
Total Assessment Rates	<u>29 806 702</u>	<u>27 949 649</u>

Valuations

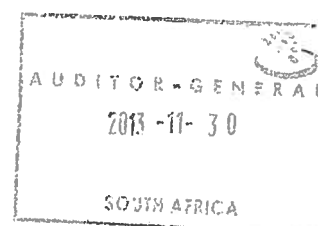
Rateable Land and Buildings		
Residential	4 611 761 996	4 265 248 464
Agricultural	4 714 589 086	4 865 388 010
Government	241 355 315	240 320 315
Business & Commercial	1 201 735 273	1 575 498 956
Municipal	345 084 024	394 976 614
Exempt Properties	302 544 424	195 108 304
Total Assessment Rates	<u>11 417 981 118</u>	<u>11 536 540 663</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2011.

Rates:

Residential	0.0043c/R	0.0040c/R
Commercial, Industrial & Government	0.0053c/R	0.0058c/R
Public Benefit Organisations	0.0010c/R	0.0010c/R
Agricultural	0.0030c/R	0.0030c/R

Rates are levied annually and is payable by the 7th of October. Interest is levied at the prime rate on outstanding instalments. Rebates can be claimed on any income that the Municipality is entitled by law to levy, but which has subsequently been forgiven by way of rebate or remission.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

27 GOVERNMENT GRANTS AND SUBSIDIES

	2013 R	2012 R
Unconditional Grants	51 279 300	45 172 000
Equitable share	51 279 300	45 172 000
Conditional Grants	51 537 258	30 813 029
Grants and donations	1 158 627	1 288 090
Subsidies	50 398 630	29 524 940
Total Government Grants and Subsidies	102 836 558	75 985 029
Government Grants and Subsidies: Capital	24 405 300	18 274 710
Government Grants and Subsidies: Operating	78 431 168	57 710 369
	102 836 558	75 985 029

The municipality does not expect any significant changes to the level of grants

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	51 279 300	45 172 000
Executive & Council	302 000	798 087
Budget & Treasury	1 304 035	1 907 649
Corporate Services	305 965	26 275
Planning & Development	964 860	294
Health	-	-
Community & Social Services	8 489 548	9 332 358
Housing	17 645 494	5 610 217
Public Safety	-	-
Sport & Recreation	-	-
Environmental Protection	-	-
Waste Management	2 569 574	3 749 719
Waste Water Management	11 409 206	4 813 607
Road Transport	1 012 244	187 000
Water	6 001 901	3 816 950
Electricity	1 382 422	562 862
	102 836 558	75 985 029

The municipality does not expect any significant changes to the level of grants

27.1

Equitable share		
Opening balance	-	-
Grants received	51 279 300	45 172 000
Conditions met - Operating	(51 279 300)	(45 172 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

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

27.2 Local Government Financial Management Grant (FMG)

Opening balance	0	213 467
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 250 000)	(1 165 775)
Conditions met - Capital	-	(297 692)
Conditions still to be met	0	0

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)

27.3 Municipal Systems Improvement Grant

Opening balance	0	75 945
Grants received	600 000	790 000
Conditions met - Operating	(414 035)	(604 550)
Conditions met - Capital	(365 965)	(261 395)
Conditions still to be met	0	0

The MSG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems

27.4 Municipal Infrastructure Grant (MIG)

Opening balance	802 213	2 430 636
Grants received	18 376 000	15 149 000
Conditions met - Operating	(2 350 462)	(2 060 014)
Conditions met - Capital	(16 827 752)	(14 717 409)
Conditions to be met	(9)	802 213

The grant was used to upgrade infrastructure in previously disadvantaged areas

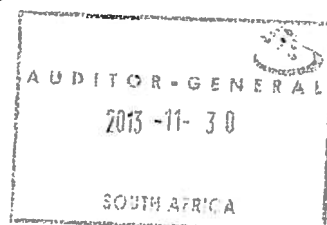
27.5 Housing Grants

Opening balance	2 314 736	2 314 736
Grants received	20 530 301	4 400 928
Conditions met - Operating	(16 976 458)	(5 467 600)
Conditions met - Capital	(710 036)	(200 432)
Conditions to be met	5 199 543	1 047 632

Balance previously reported (Note 27.5)

Presentation Correction		3 581 840
		(2 534 207)
		1 047 632

Housing grants was utilised for the development of erven and the erection of top structures



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>27 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>27.6 Integrated National Electrification Grant</b>		
Opening balance	632 422	(1 804 716)
Grants received	500 000	3 000 000
Conditions met - Operating	(189 161)	(47 730)
Conditions met - Capital	(1 193 261)	(515 132)
Conditions to be met	(250 000)	632 422
The National Electrification Grant was used for electrical connections in previously disadvantaged areas		
<b>27.7 Other Grants</b>		
Opening balance	3 740 114	1 928 720
Grants received	12 523 145	8 054 298
Conditions met - Operating	(6 021 752)	(5 193 000)
Conditions met - Capital	(5 279 377)	(202 300)
Conditions to be met	4 462 129	4 507 217
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
Balance previously reported (Note 27.7)		(2 484 454)
Presentation Correction		6 991 671
		4 507 217
<b>27.8 Total Grants</b>		
Opening balance	6 989 484	5 150 288
Grants received	105 258 745	77 016 726
Conditions met - Operating	(78 431 168)	(50 710 669)
Conditions met - Capital	(24 405 390)	(16 274 360)
Conditions to be met	9 411 673	6 989 484
Deployed as follows:		
Unspent Conditional Government Grants and Receipts	9 661 673	6 989 484
Unpaid Conditional Government Grants and Receipts	(250 000)	0
	9 411 673	6 989 484
<b>28 SERVICE CHARGES</b>		
Electricity	230 707 612	215 069 786
Water	28 047 974	24 213 667
Refuse removal	15 341 859	13 983 691
Sewerage and Sanitation Charges	19 773 389	17 681 722
	291 870 834	271 148 866
Less: Rebates	(15 633 706)	(20 980 914)
Total Service Charges	276 237 128	250 167 952
Balance previously reported		253 122 168
Correction of error - Refer to note 40.6		(2 954 216)
		250 167 952
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgiven by way of rebate or remission		
<b>29 OTHER INCOME</b>		
Availability fees	2 736 589	2 619 815
Building plans	384 052	523 172
Bulk service levies	407 310	780 695
Cemeteries	325 612	250 786
Commission	148 889	145 698
Connection fees	1 455 489	1 721 884
Fair Value Adjustments	-	-
Fire brigade fees	53 347	36 543
Insurance claims	608 776	6 056 382
Photo copies	65 029	64 154
Planning application fees	261 267	140 897
Re-connection fees	271 466	183 972
Valuation certificates	116 786	101 312
Sundry income	3 663 736	3 451 873
Total Other Income	10 498 358	16 077 183



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30	EMPLOYEE RELATED COSTS	2013 R	2012 R
	Salaries and Wages	73 966 079	66 942 346
	Bonus	5 977 411	6 181 440
	Contributions for UIF, pensions and medical aids	17 858 027	16 157 450
	Group Life Insurance	368 680	364 990
	Housing Subsidy	568 792	548 585
	Leave Reserve Fund	2 262 335	2 125 611
	Long service awards	644 075	618 340
	Overtime	5 407 589	5 002 675
	Post Employment Health	1 919 530	1 789 429
	Travel, motor car, telephone, assistance and other allowances	9 444 636	8 965 727
	<b>LESS: Employee Costs allocated elsewhere</b>	<b>118 437 567</b>	<b>108 706 604</b>
	<b>Total Employee Related Costs</b>	<b>118 437 567</b>	<b>108 706 604</b>
	Balance previously reported (Note 30)		108 728 890
	Finance Charges on Employee Benefits incorrectly linked to Employee Related Costs - Refer to note 40.13		(22 286)
			<b>108 706 604</b>

KEY MANAGEMENT PERSONNEL

The Municipal Manager and 2 directors are appointed on a 5-year fixed term contract, the other 2 directors are appointed on a permanent basis. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager: Mr M A Mohwesi

Annual Remuneration	994 440	795 786
Performance Bonuses	90 219	138 204
Car Allowance	108 000	108 000
Other Allowances	24 550	100 568
Contributions to Medical and Pension Funds	192 869	173 030
<b>Total</b>	<b>1 410 078</b>	<b>1 315 588</b>

Remuneration of the Director Infrastructure Development: Mr J de K Jooste

Annual Remuneration	706 734	570 502
Performance Bonuses	74 845	105 832
Car Allowance	156 869	156 869
Other Allowances	30 943	35 489
Contributions to Medical and Pension Funds	194 038	175 102
<b>Total</b>	<b>1 163 429</b>	<b>1 043 794</b>

Remuneration of the Director Corporate Services: Mr A W J Everson

Annual Remuneration	759 587	613 115
Performance Bonuses	74 845	105 832
Car Allowance	131 568	131 568
Other Allowances	47 878	63 160
Contributions to Medical and Pension Funds	157 179	141 169
<b>Total</b>	<b>1 171 157</b>	<b>1 054 845</b>

Remuneration of the Director Financial Services: Mr C F Hoffman

Annual Remuneration	647 241	501 416
Performance Bonuses	74 845	105 832
Car Allowance	138 222	128 222
Other Allowances	78 653	97 890
Contributions to Medical and Pension Funds	242 196	215 754
<b>Total</b>	<b>1 171 157</b>	<b>1 049 115</b>

Remuneration of the Director Community Services: Mr M J Mkhom (01 July 2011 to 30 November 2011)

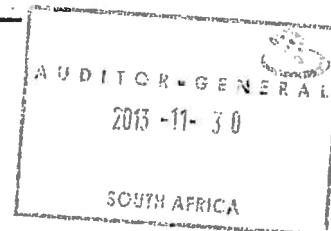
Annual Remuneration	-	340 590
Performance Bonuses	-	79 374
Car Allowance	-	77 711
Other Allowances	-	159 730
Contributions to Medical and Pension Funds	-	70 739
<b>Total</b>	-	<b>728 144</b>

Remuneration of the Director Strategy and Social Development: Mr C O Mathys (01 August 2012 to 30 June 2013)

Annual Remuneration	703 371	-
Performance Bonuses	-	-
Car Allowance	159 982	-
Other Allowances	27 460	-
Contributions to Medical and Pension Funds	133 676	-
<b>Total</b>	<b>1 019 489</b>	-

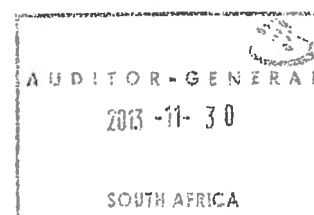
Remuneration of the Director Engineering Services: Mr I A B van der Westhuizen (01 October 2012 to 30 June 2013)

Annual Remuneration	626 670	-
Performance Bonuses	-	-
Car Allowance	10 800	-
Other Allowances	-	-
Contributions to Medical and Pension Funds	124 552	-
<b>Total</b>	<b>762 022</b>	-



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>31 REMUNERATION OF COUNCILLORS</b>		
Mayor	698 894	651 291
Deputy Mayor	538 636	404 776
Speaker	536 643	509 125
Mayoral Committee Members (4 councillors)	2 037 914	1 744 967
Councillors (15 councillors 1 vacant seat)	3 287 031	3 110 884
<b>Total Councillors' Remuneration</b>	<b>7 099 118</b>	<b>6 428 162</b>
<i>In-kind Benefits</i>		
The Executive Mayor, Mayoral committee members and the Speaker are full-time Councillors. The full-time councillors are provided with secretarial support and an office at the cost of the Council.		
<b>32 DEBT IMPAIRMENT</b>		
Long term Receivables - Note 19	2 333 568	(1 505 280)
Trade Receivables from exchange transactions - Note 22	5 188 853	3 776 344
Trade Receivables from non-exchange transactions - Note 23	1 028 635	2 240 403
<b>Total Contribution to Debt Impairment</b>	<b>8 551 056</b>	<b>4 511 537</b>
<b>33 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	16 253 087	16 503 864
Capitalised Restoration Cost	260 054	295 847
Investment Property	49 329	50 869
Intangible Assets	251 335	718 760
	<b>16 753 805</b>	<b>17 569 340</b>
Balance previously reported (Note 33)		18 513 415
Correction of book value of assets where the useful lives were incorrectly recorded - Refer to note 40 B		(944 075)
		<b>17 569 339</b>
<b>34 IMPAIRMENTS</b>		
Property Plant & Equipment	<b>(3 331 913)</b>	<b>3 778 043</b>
Impairment on Property, Plant and Equipment was reversed as the assets damaged in 2011/2012 was repaired and reinstated		
<b>35 FINANCE CHARGES</b>		
Interest paid	164 246	47 229
Landfill site	265 054	321 032
Long service awards	344 143	353 473
Long-term Liabilities	3 399 048	3 802 812
Post Employment Health	2 977 341	2 713 160
<b>Total finance charges</b>	<b>7 149 831</b>	<b>7 237 706</b>
Balance previously reported (Note 35)		7 215 421
Finance Charges on Employee Benefits incorrectly linked to Employee Related Costs - Refer to note 40 14		22 286
		<b>7 237 706</b>
<b>36 BULK PURCHASES</b>		
Electricity	173 526 712	157 532 199
Water	3 000 806	2 759 252
<b>Total Bulk Purchases</b>	<b>176 527 517</b>	<b>160 291 452</b>
<b>37 GRANTS AND SUBSIDIES</b>		
Discrete Grants	-	73 500
<b>Total Grants and Subsidies</b>	<b>-</b>	<b>73 500</b>
Operating grant expenditure per vote		
Executive & Council	-	-
Budget & Treasury	-	-
Corporate Services	-	-
Planning & Development	-	-
Health	-	-
Community & Social Services	-	-
Housing	-	-
Public Safety	-	-
Sport & Recreation	-	-
Environmental Protection	-	73 500
Waste Management	-	-
Waste Water Management	-	-
Road Transport	-	-
Water	-	-
Electricity	-	73 500





NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38	GENERAL EXPENSES	2013 R	2012 R
	Advertisement Cost	700 218	769 567
	Auditors	1 064 590	1 709 875
	Bank charges	644 329	843 585
	Business - Internal	119 702	119 593
	Cell phone	748 573	689 867
	Chemicals	4 275 223	4 785 407
	Computer services	1 539 513	1 123 312
	Connections	414 140	615 911
	Data links	2 225 965	1 502 288
	Delegation Fees	358 709	284 810
	Development Projects	408 609	425 627
	Fuel	5 974 871	5 440 313
	Insurance (Premiums & Claims cost)	6 345 402	1 356 311
	Life Insurance	1 133 135	1 059 320
	Membership fees	1 003 100	843 179
	Municipal Services Charges	3 639	10 025
	Postage	504 649	670 311
	Poverty Alleviation Projects	1 676 465	2 055 352
	Printing & Stationery	1 091 655	1 015 211
	Professional Services	2 764 693	1 212 738
	Protective Clothing	594 587	524 529
	Refuse bags	357 536	562 288
	Rehabilitation	746 510	753 775
	Skills Development Levy	934 834	934 656
	Subsidy New Electrical connections	-	-
	Tourism Marketing	621 274	817 591
	Training cost	881 432	862 348
	Transfer cost	367 974	162 894
	Valuation cost	357 774	475 346
	Other	3 810 700	4 062 543
	General Expenses	<u>42 969 249</u>	<u>35 708 680</u>
	Balance previously reported (Note 38)		35 732 422
	Correction of error - Refer to note 40.11		(73 742)
			<u>35 708 680</u>

39 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3

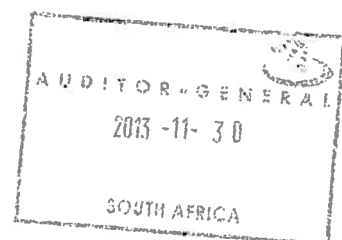
39.1 HERITAGE ASSETS

The municipality implemented GRAP 103 on Heritage Assets. The Municipality consulted the Heritage Council of South Africa, Heritage Council of the Western Cape and the tourism offices in the various towns to ascertain if any assets of the Langeberg Municipality are declared as Heritage Assets. The municipality also scrutinised the Asset Register to check if any of the assets fall within the definition and recognition criteria of Heritage Assets. The implementation was done retrospectively and restated for 01 July 2011.

Balance previously reported	-
Transfer from Investment Property	-
Transfer from PPE	939 000
Restated Balance as at 01 July 2011	<u>939 000</u>
Addition during 2011/2012	-
Restated Balance as at 30 June 2012	<u>939 000</u>

39.2 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported	487 645 886
Transfer to Heritage Assets	(939 000)
First time recognition of assets belonging to the municipality	2 100 500
Reversal of Accumulated Depreciation on Assets transferred to Heritage Assets	80 278
Restated Balance as at 01 July 2011	<u>488 887 664</u>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40 CORRECTION OF ERROR IN TERMS OF GRAP 3

40.1 NET ASSETS (ACCUMULATED SURPLUS/DEFICIT)

Balance previously reported	381 495 919
Reversal of Accumulated Depreciation on Assets transferred to Heritage Assets	80 278
Opening Lease Asset	25 422
Property, Plant and Equipment	2 109 500
Receivables from exchange transactions	9 005 447
Restated Balance as at 01 July 2011	<u>392 716 566</u>

40.2 OPERATING LEASE ASSET

Balance previously reported	32 641
Correction of Error Lease Contracts not included in Lease Register 2010/2011 Refer to note 24	25 422
Restated Balance as at 01 July 2011	<u>58 063</u>
Previous Movement	4 278
Correction of Error Lease Contracts not included in Lease Register 2011/2012 Refer to note 23	9 019
Correction of Error Lease Agreements cancelled in 2011/2012	(1 338)
Restated Balance as at 30 June 2012	<u>70 021</u>

Correction of error - Refer to note 24

40.3 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported (Before change in accounting policy)	424 544 371
Implementation of GRAP 103 (01 July 2011)	(850 722)
First time recognition of assets belonging to the municipality (01 July 2011)	2 109 500
Correction of book value of assets whose life useful lives were incorrectly recorded (30 June 2012)	938 356
Reversal of depreciation on assets transferred to Heritage Assets	5 719
Restated Balance as at 30 June 2012	<u>426 739 223</u>

40.4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Other Debtors

Balance previously reported	26 483 006
Electricity Charges	7 564 172
Water Charges	1 441 275
Restated Balance as at 01 July 2011	<u>34 488 454</u>

Reversal

Electricity Charges	(7 564 172)
Water Charges	(1 441 275)
Add	
Electricity Charges	4 880 573
Water Charges	1 170 650
Restated Balance as at 30 June 2012	<u>34 534 228</u>

Water and Electricity Charges for June 2011 and June 2012, from last meter reading date to 30 June was allocated in the wrong financial period and was corrected.

Reversal of Insurance debtor to the municipality negotiated with the insurer not to pay the claim directly to the municipality but instead appoint contractor to rectify assets damage in public road

Correction of error - Refer to note 22

40.5 INVENTORY

Balance previously reported	13 179 204
Inventory incorrectly expensed in 2011/2012	164 875
Restated Balance as at 30 June 2012	<u>13 344 079</u>

First time identification and measurement of inventory

Correction of error - Refer to note 21

40.6 SERVICE CHARGES

Balance previously reported	253 122 168
Reduce Service Charges	(2 954 216)
Restated Balance as at 30 June 2012	<u>250 167 952</u>

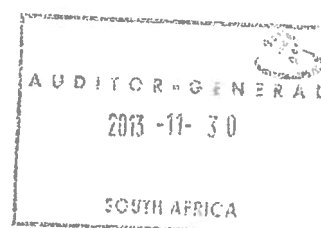
Service Charges adjusted to reflect service charges levied for 2011/2012 financial year and to account for service charges between last meter reading date to 30 June 2012

Correction of error - Refer to note 28

40.7 RENTAL OF FACILITIES AND EQUIPMENT

Balance previously reported	1 658 546
Correction of Error Lease Contracts not included in Lease Register 2011/2012 Refer to note 23	9 019
Restated Balance as at 30 June 2012	<u>1 667 564</u>

Correction of error - Refer to note 24



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40.8 DEPRECIATION AND AMORTISATION

Balance previously reported	18 513 415
Correction in book value of assets where the useful lives were incorrectly recorded	(944 076)
Restated Balance as at 30 June 2012	17 569 339
Correction of error - Refer to note 33	

40.10 REPAIRS AND MAINTENANCE

Balance previously reported	11 920 235
Inventory incorrectly expensed	(139 795)
Restated Balance as at 30 June 2012	11 780 440

40.11 GENERAL EXPENSES

Balance previously reported	35 732 422
Inventory incorrectly expensed	(23 742)
Restated Balance as at 30 June 2012	35 708 680

Correction of error - Refer to note 36

40.12 CASH FLOW STATEMENT: RECEIPTS  
Interest

Balance previously reported	6 555 597
Correction of error - Refer to Cash Flow Statement	(2 470 036)
	4 085 471

CASH FLOW STATEMENT: PAYMENTS  
Finance charges

Balance previously reported	(7 215 421)
Correction of error - Refer to Cash Flow Statement	3 385 551
	(3 829 869)

Correction of Interest Received and Finance Charges on Cash Flow Statement to reflect the actual cash receipts and cash payments

40.13 EMPLOYEE RELATED COSTS

Balance previously reported	108 728 898
Finance Charges on Employee Benefits incorrectly linked to Employee Related Costs	(22 286)
Restated Balance as at 30 June 2012	108 706 604

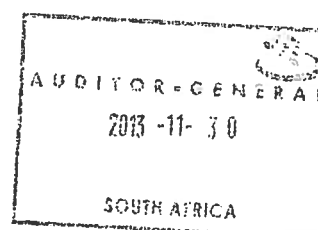
Correction of error - Refer to note 30

40.14 EMPLOYEE RELATED COSTS

Balance previously reported	7 215 421
Finance Charges on Employee Benefits incorrectly linked to Employee Related Costs	22 286
Restated Balance as at 30 June 2012	7 237 706

Correction of error - Refer to note 35

	2013	2012
41 RECONCILIATION BETWEEN NET SURPLUS(DEFICIT) FOR THE YEAR AND CASH GENERATED(ABSORBED) BY OPERATIONS		
	R	R
Surplus(Deficit) for the year	33 504 703	3 324 648
Adjustments for:		
Depreciation/Amortisation	16 753 805	17 569 342
Loss on disposal of property, plant and equipment	552 618	47 282
(Gains) on disposal of property, plant and equipment	-	-
Impairment Loss	-	3 770 043
Impairment (Reversals)	(3 331 913)	-
Contributions to Non-Current Provisions	6 189 558	5 005 367
Debt Impairment	9 565 105	4 511 537
Actuarial Losses	-	3 122 234
Actuarial (Gains)	(875 701)	-
Unamortised discount	36 319	69 436
Bad debt written-off	(6 601 032)	(1 454 324)
Finance charges	(60 624)	(29 348)
Operating lease income accrued	(57 509)	(11 958)
Operating Surplus(Deficit) before changes in working capital	55 675 329	36 724 258
Changes in working capital	(9 130)	(10 370 251)
Increase/(Decrease) in Payables from exchange transactions	6 749 302	(4 244 885)
Increase/(Decrease) in Provisions	(1 308 787)	274 154
Increase/(Decrease) in Employee benefits	(1 700 406)	(1 074 665)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 672 189	(1 473 519)
Increase/(Decrease) in Unspent Public Contributions	325 000	-
Increase/(Decrease) in Taxes	(1 382 741)	(2 685 341)
Increase/(Decrease) in Inventory	(8 335 248)	12 103 448
Increase/(Decrease) in Receivables from exchange and non-exchange transactions	3 221 562	(16 564 159)
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	(250 000)	3 304 716
Cash generated/(absorbed) by operations	55 666 199	26 354 807



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

42 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following

Cash Investments - Note 25	60 000 000	70 000 000
Cash Flows - Note 25	7 717	8 427
Bank - Note 25	11 274 412	3 906 756
<b>Total cash and cash equivalents</b>	<b>71 282 129</b>	<b>73 915 183</b>

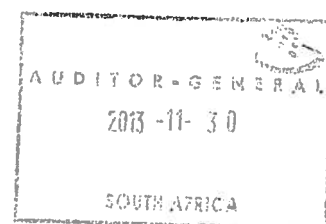
43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 42	71 282 129	73 915 183
Investments - Note 18	90 617	51 540
	71 372 746	73 966 732
Less:	9 661 673	7 832 416
Unspent Committed Conditional Grants - Note 10	9 661 673	6 889 484
VAT - Note 12	-	842 932
<b>Resources available for working capital requirements</b>	<b>61 711 074</b>	<b>66 134 316</b>
Allocated to:		
Capital Replacement Reserve	42 715 822	45 000 000
Employee Benefits Reserve	13 363 527	12 760 074
Non-Current Provisions Reserve	4 424 361	3 655 324
<b>Resources available for working capital requirements</b>	<b>1 177 369</b>	<b>4 518 988</b>

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long term Liabilities - Note 3	37 290 700	38 495 587
Used to finance property, plant and equipment - at cost	(37 290 700)	(38 495 587)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long term liabilities have been utilized in accordance with the Municipal Finance Management Act

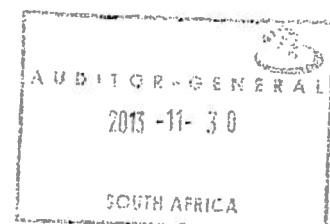


NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45

BUDGET COMPARISONS

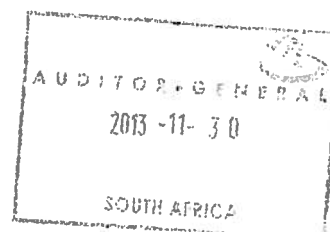
	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (%)
45.1 Operational				
Revenue by source				
Property Rates	29 806 702	30 162 100	(355 398)	-1%
Government Grants and Subsidies - Capital	24 405 390	26 072 478	(1 617 088)	6%
Government Grants and Subsidies - Operating	70 431 168	80 366 819	(1 935 651)	2%
Public Contributions and Donations	-	-	-	0%
Gain on Foreign Exchange Transaction	-	-	-	0%
Actualised Gains	1 250 989	-	1 250 989	100%
Fair Value Adjustments	39 068	-	39 068	100%
Fines	1 079 319	3 292 280	(2 212 961)	67%
Impairment Reversal	3 331 913	-	3 331 913	100%
Stock Adjustments	39 059	112 182	(73 123)	-65%
Service Charges	276 237 128	295 061 150	(18 824 022)	-6%
Rental of Facilities and Equipment	2 074 316	1 713 780	360 536	21%
Interest Earned - external investments	4 556 735	4 500 000	56 735	1%
Interest Earned - outstanding debtors	1 617 204	1 880 000	(262 796)	-14%
Licences and Permits	1 230 538	1 307 190	(67 652)	-5%
Agency Services	1 929 048	1 198 000	731 048	61%
Other Income	10 498 358	12 023 890	(1 524 732)	-13%
Unamortised Discount - Interest	60 485	-	60 485	100%
Gain on disposal of Property, Plant and Equipment	-	-	-	-
	436 586 421	457 639 109	(21 042 688)	-5%
Expenditure by nature				
Employee related costs	118 437 567	125 238 180	(6 800 613)	-5%
Remuneration of Councillors	7 099 118	7 285 490	(186 372)	-3%
Debt Impairment	8 551 856	7 503 470	1 047 586	14%
Depreciation and Amortisation	16 753 805	21 152 130	(4 398 325)	-21%
Collection costs	1 192 386	1 065 000	127 386	12%
Impairments	-	-	-	0%
Repairs and Maintenance	12 087 894	12 963 572	(865 678)	-7%
Actualised losses	375 288	-	375 288	100%
Unamortised Discount - Interest paid	95 805	-	95 805	100%
Finance Charges	7 149 831	7 072 380	77 451	1%
Bulk Purchases	176 527 517	186 506 110	(9 978 593)	-5%
Contracted services	981 026	1 851 030	(870 004)	-47%
Grants and Subsidies	-	82 180	(82 180)	-100%
Stock Adjustments	-	-	-	0%
Operating Grant Expenditure	11 207 558	21 013 990	(9 806 432)	-47%
General Expenses	42 068 249	41 790 503	278 746	1%
Loss on disposal of Property, Plant and Equipment	552 618	-	552 618	100%
Fair Value Adjustments	-	-	-	0%
	403 091 717	433 524 835	(30 432 318)	-7%
Net Surplus for the year	33 504 703	24 115 074	9 389 629	39%



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Comparison between last approved budget and final budget

	2013 R (Approved Budget)	2013 R (Final Budget)	2013 R (Variance)	2013 R (%)	Explanation for Variances
<b>Operational</b>					
Revenue by source					
Property Rates	30 162 100	30 162 100	-	0%	
					On the financial statements in terms of GRAP this line item is linked to Interest on Outstanding Debtors but on the Budget in terms of National Treasury Guidelines it is linked to Property rates - penalties & collection charges
Property rates - penalties & collection charges	260 000	-	260 000	100%	
Government Grants and Subsidies - Capital	26 022 478	26 022 478	-	0%	
Government Grants and Subsidies - Operating	80 366 819	80 366 819	-	0%	
Public Contributions and Donations	-	-	-	0%	
Gain on Foreign Exchange Transaction	-	-	-	0%	
Actuarial Gains	-	-	-	0%	
Fair Value Adjustments	-	-	-	0%	
Fees	3 292 280	3 292 280	-	0%	
Impairment Reversal	-	-	-	0%	
					On the financial statements Stock Adjustments is a separate line item, on the Budget it is linked to General Expenses.
Stock Adjustments	-	112 182	(112 182)	-100%	
Service Charges	255 061 190	255 061 190	-	0%	
Rental of Facilities and Equipment	1 713 780	1 713 780	-	0%	
Interest Earned - external investments	4 500 000	4 500 000	-	0%	
					Property rates - penalties & collection charges on the budget in terms of National Treasury Guidelines is a line item on its own, on the financial statements in terms of GRAP it is linked to Interest Earned
Interest Earned - outstanding debtors	1 620 000	1 880 000	(260 000)	-14%	
					On the financial statements revenue from hawkers stands is linked to Other Revenue, on the budget it is linked to Licences and Permits
Licences and Permits	1 339 590	1 307 180	32 410	2%	
Agency Services	1 198 000	1 198 000	-	0%	
					On the financial statements revenue from hawkers stands is linked to Other Revenue, on the budget it is linked to Licences and Permits
Other Income	11 990 690	12 023 090	(32 400)	0%	
Unamortised Discount - Interest	-	-	-	0%	
Gain on disposal of Property, Plant and Equipment	-	-	-	0%	
	457 526 927	457 639 109	(112 182)	0%	
<b>Expenditure by nature</b>					
					Interest on Employee Benefits on the financial statements is linked to Finance Charges, on the budget linked to Employee Related Costs.
Employee related costs	125 232 280	125 238 180	(5 900)	0%	
Remuneration of Councillors	7 285 490	7 285 490	-	0%	
Debt Impairment	7 503 470	7 503 470	-	0%	
Depreciation and Amortisation	21 152 130	21 152 130	-	0%	
					Reallocations done to facilitate sound risk and financial management
Collection costs	1 000 000	1 065 000	(65 000)	-6%	



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

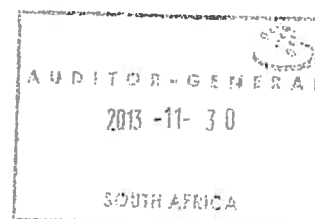
Comparison between last approved budget and final budget: (CONTINUE)

	2013 R (Approved Budget)	2013 R (Final Budget)	2013 R (Variance)	2013 R (%)	Explanation for Variance
Impairments				0%	Reallocations done to facilitate sound risk and financial management.
Repairs and Maintenance	11 257 510	12 963 572	(1 706 062)	13%	
Actual losses				0%	
Unamortised Discount - Interest paid				0%	
Finance Charges	7 034 260	7 072 380	761 900	11%	Reallocations done to facilitate sound risk and financial management to the amount of R 756 000 and R 5 900 for interest on Employee Benefits was linked to Finance Charges.
Bank Purchases	186 532 110	186 506 110	26 000	0%	Reallocations done to facilitate sound risk and financial management.
Contracted services	2 045 420	1 851 030	194 390	11%	Reallocations done to facilitate sound risk and financial management.
Grants and Subsidies	82 180	82 180		0%	
Stock Adjustments				0%	
Operating Grant Expenditure	21 167 395	21 013 990	173 405	1%	Housing Operating Grant Expenditure linked to General Expenses on financial statements, on the budget it is linked to Operating Grant Expenditure.
General Expenses	42 300 088	41 790 503	509 585	1%	Reallocations done to facilitate sound risk and financial management.
Loss on disposal of Property, Plant and Equipment				0%	
Fair Value Adjustments				0%	
	433 412 353	433 524 035	(111 682)	0%	
Net Surplus for the year	24 114 574	24 115 074	(500)	0%	

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (%)
45.2 Expenditure by Vote				
Community services				
Corporate services	31 066 698	34 769 610	(3 702 712)	-11%
Engineering Services	281 385 095	291 958 450	(10 573 355)	-4%
Executive & Council	22 167 202	23 111 220	(944 018)	-4%
Finance	16 662 313	19 324 670	(2 662 357)	-3%
Service Integration	34 056 321	46 453 545	(12 400 224)	-27%
Strategy & Social Development	15 754 889	17 896 540	(2 141 651)	-12%
	403 081 717	433 524 035	(30 432 318)	-7%

Comparison between last approved budget and final budget:

	2013 R (Approved Budget)	2013 R (Final Budget)	2013 R (Variance)	2013 R (%)	Explanation for Variances
Expenditure by Vote					
Community services					
Corporate services	34 463 910	34 769 610	(305 700)	-1%	
Engineering Services	231 949 950	291 958 450	(8 500)	0%	
Executive & Council	22 990 120	23 111 220	(121 100)	-1%	
Finance	19 264 788	19 324 670	(59 882)	0%	
Service Integration	46 677 045	46 453 545	213 500	0%	
Strategy & Social Development	19 066 540	17 896 540	170 000	1%	
	433 412 353	433 524 035	(111 682)	0%	



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45 BUDGET COMPARISONS (CONTINUE)

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (%)
45.3 Capital expenditure by vote				
Corporate services	5 189 843	6 767 896	(578 053)	9%
Engineering Services	38 790 707	40 141 462	(1,350 755)	3%
Executive & Council	1 954 689	2 361 000	(396 311)	-17%
Finance	120 000	120 000	-	0%
Service Integration	4 246 537	7 767 510	(3 520 973)	-45%
Strategy & Social Development	857 426	1 630 000	(772 574)	-47%
	<u>52 169 196</u>	<u>58 787 868</u>	<u>(6 618 672)</u>	<u>-11%</u>

Comparison between last approved budget and final budget:

	2013 R (Approved Budget)	2013 R (Final Budget)	2013 R (Variance)	2013 R (%)	Explanation for Variances
Capital expenditure by vote					
Corporate services	6 087 896	6 767 896	(680 000)	-10%	Capital Budget for Ward Projects linked to Vote Corporate Services in the financial statements but on the budget it is linked to Vote Strategy and Social Development
Engineering Services	40 168 462	40 141 462	27 000	0%	
Executive & Council	2 361 000	2 361 000	-	0%	
Finance	120 000	120 000	-	0%	
Service Integration	7 740 510	7 767 510	(27 000)	0%	Capital Budget for Ward Projects linked to Vote Corporate Services in the financial statements but on the budget it is linked to Vote Strategy and Social Development
Strategy & Social Development	<u>2 310 000</u>	<u>1 630 000</u>	<u>680 000</u>	<u>42%</u>	
	<u>58 787 868</u>	<u>58 787 868</u>	<u>-</u>	<u>0%</u>	

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	(0)	11 600 891
Unauthorised expenditure for the year - capital	-	-
Unauthorised expenditure for the year - operating	-	(0)
Written off by council	-	(11 600 891)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>(0)</u>	<u>(0)</u>

Unauthorised expenditure on operating votes is mainly attributable to the actuarial loss on the employee benefits

Unauthorised expenditure on the capital is mainly attributable the purchase of a back up tape library server

Incident	Disciplinary steps/criminal proceedings
None	

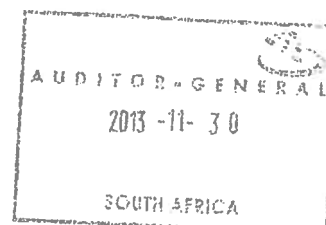
46.2 Fruitless and wasteful expenditure

None

46.3 Irregular expenditure

Reconciliation of irregular expenditure:

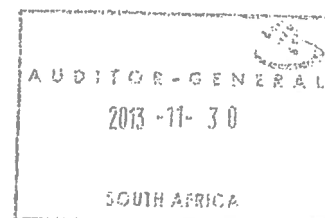
Opening balance	-	284 712
Irregular expenditure for the year	-	-
Written off by council	-	(284 712)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	<u>-</u>	<u>-</u>





NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46.4	<b>Material Losses</b>	2013	2012
	Water distribution losses		
	- Kilo litres distributed/purchased	7 941 360	7 948 000
	- Kilo litres lost during distribution	1 445 900	591 840
	- Percentage lost during distribution	18.21%	17.48%
	Electricity distribution losses		
	- Units purchased (Kwh)	280 880 332	298 939 914
	- Units lost during distribution (Kwh)	21 361 110	24 745 305
	- Percentage lost during distribution	7.37%	8.28%
47	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>	2013 R	2012 R
47.1	<b>Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS</b>		
	Opening balance	-	-
	Council subscriptions	988 217	838 743
	Amount paid - current year	(988 217)	(838 743)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	-	-
47.2	<b>Audit fees - (MFMA 125 (1)(b))</b>		
	Opening balance	258 975	-
	Current year audit fees	1 864 590	1 709 875
	External Audit - Auditor General	1 816 376	1 689 436
	Audit Committee	48 214	20 439
	Amount paid - current year	(7 094 036)	(1 440 900)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	29 528	258 975
47.3	<b>VAT - (MFMA 125 (1)(b))</b>		
	Opening balance	6 067 935	1 935 150
	Amounts received - current year	40 758 437	36 461 821
	Amounts received - previous years	(6 067 935)	(1 935 150)
	Amounts claimed - current year	(38 187 811)	(38 393 886)
	Closing balance - Receivable	2 580 626	6 067 935
	Vat in suspense due to cash basis of accounting		
	Input VAT	3 755 374	2 959 433
	Output VAT	(6 199 905)	(5 747 575)
	Receivable	(2 444 531)	(2 788 142)
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
47.4	<b>PAYE, SDL and UIF - (MFMA 125 (1)(b))</b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	(13 378 457)	13 535 950
	Amount paid - current year	13 378 457	(13 535 950)
	Balance unpaid (included in creditors)	-	-
47.5	<b>Pension and Medical Aid Deductions - (MFMA 125 (1)(b))</b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	17 063 438	15 262 717
	Amount paid - current year	(17 063 438)	(15 262 717)
	Balance unpaid (included in creditors)	-	-



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

47.6 Councillor's arrear consumer accounts - (MFMA 124 (1)(b))

The following Councillors had arrear accounts for more than 90 days as of 30 June

	2013 R Outstanding more than 90 days	2012 R Outstanding more than 90 days
NYMAMA, W	732	
VOLLENHOF, E J (E J & A VOLLENHOF)	627	
CROUWAMP, HP	-	11 796
SWANEPOEL, J R O	42 461	
SWANEPOEL, J R O (J R O SWANEPOEL, C S SWANEPOEL & D C ESTERH)	4 343	
JOHNSON, R	-	149
<b>Total Councillor Arrear Consumer Accounts</b>	<b>46 807</b>	<b>11 945</b>

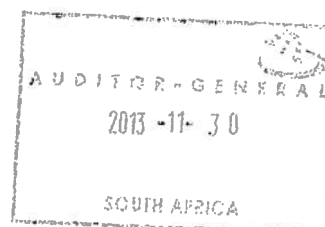
47.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 38(7) - Details of deviations approved by the Accounting Officer in terms of Regulation 38 (1)(a) and (b)

	Amount	Single Supplier	Type of deviation		
			Impossible	Impractical	Emergency
July	5 751 903	14	-	43	19
August	908 002	13	-	33	17
September	702 219	9	-	29	10
October	477 830	6	-	32	17
November	598 057	4	-	33	19
December	373 654	3	-	14	10
January	498 544	13	-	28	18
February	1 670 451	13	-	38	16
March	651 416	3	-	32	5
April	771 620	6	-	44	11
May	598 697	8	-	41	2
June	573 065	1	-	29	12
	<b>13 474 489</b>	<b>93</b>	<b>-</b>	<b>396</b>	<b>156</b>

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
CC Groenewald	CC Groenewald	Spouse	AC Groenewald	SAPS - Warrant Officer	R 2 030
Anhandare Motors BK	DR Wagner	Spouse	E Wagner	Langeberg Municipality - Admin Clerk	R 59 015
Van Nesterik & Linde	AP Rossouw	Spouse	S Rossouw	WCED - Teacher	R 252 894
Lumber & Lamm	R Visser	Spouse	J van Zyl	WCED - Teacher	R 56 873
Liemens Construction	L Liemens	Spouse	OR Liemens	Langeberg Municipality - LED Clerk	R 51 058
TMM Management	TM Mgozi	Parent	NJ Mgozi	Langeberg Municipality - Councillor	R 526 000
Total Client Services Ltd	A Van Rooyen	Spouse	NT Sipoyo	WC Provincial Government (Dept of Transport) - Manager (Logistics)	R 20 520
Words in Work	MM Treu	Child	SP Koraso	Dept of Water Affairs - Intern	R 4 150
Lubana Ntseka	L Ntseka	Child	LA Ntseka	Langeberg Municipality - Traffic Officer	R 4 320



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Mubeko Allico	I Smith	Spouse	J Niehaus	Dept of Health (Northern Cape)	R 300 276
Snyman Skoonstadlerste	LC Snyman	Spouse	M Snyman	Langeberg Municipality - PA	R 108 360
Graham & Rhona Black Skills Centre	M Hoffman	Spouse	F Hoffman	SAPS - Warrant Officer	R 5 700
Graham & Rhona Black Skills Centre	D van Schalkwyk	N/A	D van Schalkwyk	Langeberg Municipality - Director	R 5 700

Regulation 45 - Details of awards made to persons who has been in the service of the State during the previous 12 months:

Name of supplier	Name of person in service of the state	Position occupied in company	Last day in service of the state	Employer and capacity of person	Value of transactions
Mubeko Anca	K Kyndoh	Manager		Central Karoo District Municipality - CFO	

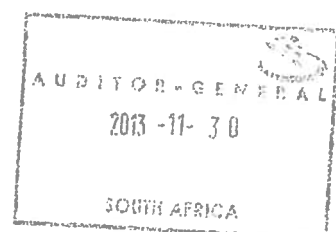
47.8 Other non-compliance (MFMA 125(2)(e))

Non compliance to the Supply Chain Management Regulations were identified in terms of Regulation 44 as detailed below

Name of supplier	Name of person in service of the state	Position occupied in company	Employer and capacity of person	Value of transactions

Other non-compliance issues were identified as detailed below

Requirements	Relevant Legislation	Non-compliance
None		



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

48	<b>CAPITAL COMMITMENTS</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Commitments in respect of capital expenditure:		
	Approved and contracted for	10 979 040	700 000
	Infrastructure	10 979 040	700 000
	Community	-	-
	Other	-	-
	Approved but not yet contracted for	42 930 680	49 012 040
	Infrastructure	21 959 790	41 157 040
	Community	9 945 900	-
	Other	11 025 000	7 855 000
	<b>Total</b>	<b>53 909 730</b>	<b>49 712 040</b>
	In addition to the capital commitments approved and contracted for disclosed in terms of GRAP, 42 930 680 of the capital budget have been approved but have not yet been contracted for		
	This expenditure will be financed from:		
	External loans	-	-
	Capital Replacement Reserve	28 844 370	31 399 750
	Government Grants	25 065 360	18 312 290
	Other Grants	-	-
	<b>Total</b>	<b>53 909 730</b>	<b>49 712 040</b>

49 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality did engage in one foreign currency transaction. The risk is low due to the value of the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

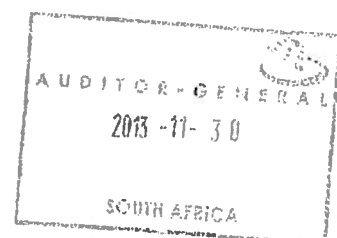
As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest-bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	349 194	363 431
0.5% (2012 - 0.5%) Decrease in interest rates	(174 582)	(181 715)



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

49

FINANCIAL RISK MANAGEMENT (CONTINUE)

2013

2012

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are discussed net after provisions are made for impairment and bad debts. Trade Receivables comprise of a large number of interpayees, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these Trade Receivables. Credit risk pertaining to trade and other receivables is considered to be moderate due to the diversified nature of Trade Receivables and immaterial nature of individual balances. In the case of consumer Trade Receivables the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of Trade Receivables whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual Trade Receivables into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Trade Receivables with Arrangements, Indigent, Municipal Workers, Handed over to Attorneys and Unrecoverable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired.

	2013 %	2013 R	2012 %	2012 R
<b>Non-Exchange Receivables</b>				
Rates and other receivables	100.00%	12 910 369	100.00%	12 266 201
<b>Exchange Receivables</b>				
Electricity	39.90%	17 751 185	35.01%	16 927 518
Water	11.81%	5 251 522	11.59%	5 788 032
Refuse	6.78%	3 016 454	5.81%	2 811 464
Sewerage	8.63%	3 838 384	7.41%	3 580 952
Other	32.88%	14 627 494	39.78%	19 232 740
	100.00%	44 485 037	100.00%	48 350 767

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 22 and 23 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of Trade Receivables as follows:

	2013 %	2013 R	2012 %	2012 R
<b>Non-Exchange Receivables</b>				
Rates and other receivables	100.00%	9 280 550	100.00%	8 303 896
<b>Exchange Receivables</b>				
Electricity	26.01%	3 427 705	26.18%	3 617 461
Water	24.01%	3 162 953	26.93%	3 582 573
Refuse	15.66%	2 062 827	14.32%	1 978 608
Sewerage	20.32%	2 676 799	18.62%	2 573 144
Other	14.01%	1 845 660	14.94%	2 064 745
	100.00%	13 175 944	100%	13 816 530



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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FINANCIAL RISK MANAGEMENT (CONTINUE)

	2013 %	2013 R	2012 %	2012 R
Bad debts written off per debtor class				
<u>Non-Exchange Receivables</u>				
Note 11	100.00%		100.00%	-
<u>Exchange Receivables</u>				
Electricity	39.90%	2 634 057	35.01%	508 158
Water	11.01%	779 261	11.99%	174 397
Refuse	6.70%	447 605	5.81%	84 565
Sewerage	8.63%	569 569	7.41%	107 710
Other	32.88%	2 170 540	39.78%	578 494
	100.00%	6 601 032	100.00%	1 454 324

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counter party default.

Long-term Receivables and Other Trade Receivables are individually evaluated annually at Balance Sheet date for impairment.

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

	2013 R	2012 R
Long term receivables	4 948 362	4 539 273
Receivables from exchange transactions	31 309 093	34 534 230
Receivables from non-exchange transactions	5 666 330	5 372 946
Cash and Cash Equivalents	71 282 129	73 915 183
Non-Current Investments	90 617	51 549
Unpaid conditional grants and subsidies	250 000	0
	113 545 532	118 413 189

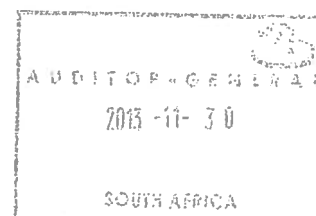
(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities	7 464 137	27 142 579	19 674 542	-
Capital repayments	4 326 773	19 605 632	17 107 541	-
Interest	3 137 364	7 536 947	2 567 001	-
Trade and Other Payables	36 689 717	-	-	-
Unpaid conditional government grants and receipts	9 661 673	-	-	-
Cash and Cash Equivalents	-	-	-	-
	53 815 527	27 142 579	19 674 542	-



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

49 FINANCIAL RISK MANAGEMENT (CONTINUE)

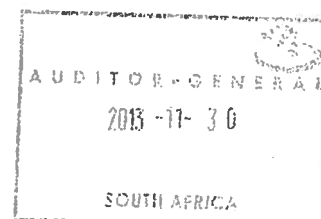
2012	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	7 073 896	24 771 975	19 428 201	9 289 032
Capital repayments	3 481 455	12 371 075	13 633 003	9 653 319
Interest	3 592 441	12 400 900	5 795 199	725 713
Trade and Other Payables	30 501 299			
Unspent conditional government grants and receipts	6 989 484			
Cash and Cash Equivalents				
	44 564 679	24 771 975	19 428 201	9 289 032

50 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows

The fair value of financial instruments approximates the amortised costs as reflected below

50.1 Financial Assets	Classification	2013 R	2012 R
Investments			
Fixed Deposits	Financial instruments at amortised cost		
Long-term Receivables			
Provincial Government Housing Loans - At amortised cost		3 137 775	3 053 281
Staff Study loans - At amortised cost		35 144	35 144
Services connections - At amortised cost		510 299	697 492
Land Sales - At amortised cost		1 146 492	626 775
Short-term Installments		118 653	126 582
Agreements with Consumer Debtors		12 370 617	9 742 612
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	31 309 093	34 534 238
Receivables from non-exchange transactions	Financial instruments at amortised cost	5 666 330	5 372 946
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	250 000	0
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	60 000 000	70 000 000
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	11 274 412	3 906 756
Cash Floats and Advances	Financial instruments at amortised cost	7 717	8 427
		125 826 531	128 104 252
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		125 826 531	128 104 252
At amortised cost		125 826 531	128 104 252



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

50	FINANCIAL INSTRUMENTS (CONTINUE)		2013	2012
50.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	31 437 401	35 014 133
	Capitalised Lease Liability	Financial instruments at amortised cost	1 610 618	0
	Payables from exchange transactions			
	Trade Payables	Financial instruments at amortised cost	34 299 760	28 256 086
	Retentions and Guarantees	Financial instruments at amortised cost	985 696	534 524
	Sundry Deposits	Financial instruments at amortised cost	2 335 404	2 203 439
	Sundry Creditors	Financial instruments at amortised cost	54 553	41 773
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	-	6 989 484
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	3 522 662	3 469 166
	Capitalised Lease Liability	Financial instruments at amortised cost	720 019	12 288
			<u>74 966 113</u>	<u>76 520 894</u>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		<u>74 966 113</u>	<u>76 520 894</u>

51 EVENTS AFTER THE REPORTING DATE

2013

2012

On the 7th of August 2012 the municipality suffered flood damage which caused damage to the Sewerage and Electricity Infrastructure.

1 584 364

52 IN-KIND DONATIONS AND ASSISTANCE

The municipality received in-kind donations for the year under review to the amount of R68 700.

53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

54 CONTINGENT LIABILITY

2013

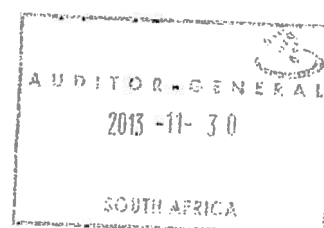
"Contingencies arising from pending litigation on wage curve agreement  
On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.  
Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

2012

"Contingencies arising from pending litigation on wage curve agreement  
On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.  
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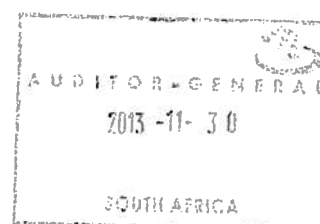
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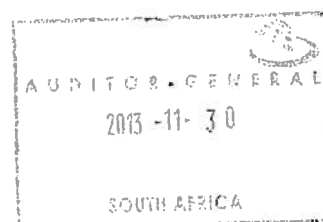


NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINGENT ASSET		2013	2012
2012			
On 13 June 2012 the municipality suffered losses and damage to property as a result of a public protest that was held by the South African National Civic Organisation. The municipality initiated legal action against the South African National Civic Organisation. The value of the claim as at 30 June 2012 was R 5 524 970			<u>5 524 970</u>
55	RELATED PARTIES		
	Key Management and Councilors receive and pay for services on the same terms and conditions as other employers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
55.1	Related Party Loans		
	Since 1 July 2004 loans to councilors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 19 to the Annual Financial Statements.		
55.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.		
55.3	Other related party transactions		
	No purchases were made during the year where Councilors or staff have an interest.		



APPENDIX A - Unaudited LANCERBERG MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013											
EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2013
<b>ANNUITY LOANS</b>											
DBSA	10.00%	10287/102	31/03/2016	106 975	-	106 975	-	2 610	2 052	22 398	84 019
DBSA	12.00%	10287/202	30/09/2015	15 609	-	15 609	-	456	344	3 718	11 780
DBSA	15.00%	10422/102	31/03/2018	546 195	-	546 795	-	19 765	17 547	58 325	485 251
DBSA	14.00%	10422/203	30/09/2018	327 855	-	327 055	-	11 005	9 950	32 545	294 174
DBSA	16.00%	11124/103	30/06/2019	1 266 016	-	1 266 016	-	-	-	108 750	1 157 326
DBSA	16.50%	11174/102	31/12/2018	424 104	-	424 104	-	-	-	40 422	383 683
DBSA	15.75%	11192/101	31/12/2018	3 587 063	-	3 587 063	-	-	-	349 745	3 237 316
DBSA (Loan Fund)	13.22%	11328/101	30/06/2014	27 357	-	27 357	-	-	-	10 463	11 894
DBSA (Public Debt Commissioner)	13.30%	12349/101	31/12/2012	42 522	-	42 522	-	-	-	42 522	0
DBSA (Public Debt Commissioner)	13.75%	12350/101	30/06/2014	237 828	-	237 828	-	-	-	111 006	126 822
DBSA	16.50%	13341/102	31/12/2019	3 025 175	-	3 025 175	-	-	-	227 557	2 797 618
DBSA	7.00%	13452/102	30/06/2020	920 495	-	920 495	-	-	-	115 062	805 433
DBSA	7.00%	13452/301	31/12/2019	1 161 264	-	1 161 264	-	(0)	-	154 035	1 006 429
DBSA	8.20%	13586/101	31/12/2020	395 331	-	395 331	-	(0)	-	48 510	346 821
DBSA	7.73%	13760/101	31/12/2020	1 799 110	-	1 799 110	-	-	-	211 660	1 587 450
DBSA	7.73%	99999/1	31/12/2024	799 783	-	799 783	-	-	-	63 983	735 000
Cogmanstroom Irrigation Board (C.B.R)		E 63	31/07/2017	-	-	-	-	-	-	-	-
Pensionfund	15.10%	E 39	31/12/2012	324 920	-	324 920	-	-	-	324 920	(0)
ABSA Bank	15.25%	209/12	31/12/2012	2 961	-	2 961	-	-	-	2 961	(0)
DBSA	6.71%	102290/1	31/03/2027	23 477 077	-	23 477 077	-	413 028	360 547	1 537 550	21 885 246
<b>Total Annuity Loans</b>				<b>38 483 299</b>		<b>38 483 299</b>		<b>447 744</b>	<b>390 440</b>	<b>3 455 932</b>	<b>34 960 842</b>
<b>LEASE LIABILITY</b>											
NASHUA	10.00%	L 6806360527	30/06/2013	6 199	-	6 199	-	-	-	6 199	(0)
NASHUA	10.00%	V 4499204844	28/02/2013	3 045	-	3 045	-	-	-	3 045	0
NASHUA	10.00%	V 4499204836	28/02/2013	3 045	-	3 045	-	-	-	3 045	0
MINOLTA	10.50%	B283 - F041011905	30/11/2015	-	-	-	-	31 075	-	5 304	25 770
MINOLTA	10.50%	B283 - F0410115017	30/11/2015	-	-	-	-	31 075	-	5 304	25 770
MINOLTA	10.50%	B223 - G041101050	31/03/2015	-	-	-	-	31 990	-	2 300	29 690
XEROX	15.00%	WC5330 - 3322715865	25/07/2015	-	-	-	-	67 358	285	17 489	49 584
XEROX	8.50%	WC7535 - 3806110325	04/12/2015	-	-	-	-	71 751	1 588	10 729	59 434
XEROX	8.50%	C09303 - 3661801750	25/03/2016	-	-	-	-	173 438	723	12 830	159 885
XEROX	8.50%	C09303 - 3661794573	25/03/2016	-	-	-	-	173 438	723	12 830	159 885
TASKalfa (Black)	14.50%	H493215170	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215130	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492213192	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215405	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492213124	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215435	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492Y12198	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493214896	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493113652	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492Y12209	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215170	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215209	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492Y12204	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492Y12189	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215219	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215400	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215388	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493113664	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492213169	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215003	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493214905	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H493215361	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Black)	14.50%	H492213140	25/06/2016	-	-	-	-	62 498	-	-	62 498
TASKalfa (Colour)	14.50%	N2K3205727	25/06/2016	-	-	-	-	127 717	-	-	127 717
TASKalfa (Colour)	14.50%	N2K2803651	25/06/2016	-	-	-	-	127 717	-	-	127 717
TASKalfa (Colour)	14.50%	N2K2705329	25/06/2016	-	-	-	-	127 717	-	-	127 717
<b>Total Lease Liabilities</b>				<b>12 288</b>		<b>12 288</b>	<b>2 400 744</b>	<b>3 319</b>		<b>79 975</b>	<b>2 330 847</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>38 495 587</b>		<b>38 495 587</b>	<b>2 400 744</b>	<b>451 064</b>	<b>390 440</b>	<b>3 545 007</b>	<b>37 280 706</b>

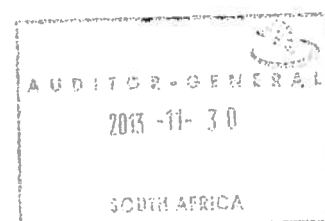


APPENDIX B - Unaudited  
 LANGE BERG MUNICIPALITY  
 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013  
 MUNICIPAL VOTES CLASSIFICATION

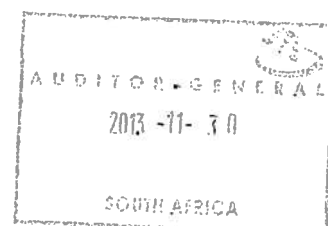
2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
15 665 496	(30 590 270)	(14 924 774)	Corporate Services	15 713 459	(31 066 898)	(15 353 439)
275 129 769	(255 367 937)	19 761 832	Engineering Services	332 382 139	(281 385 095)	50 997 044
1 760 179	(24 125 145)	(22 364 966)	Executive & Council	161 901	(22 167 202)	(22 005 300)
83 521 667	(21 185 541)	62 336 124	Finance	67 436 366	(18 662 313)	48 774 053
7 382 339	(41 252 477)	(33 870 138)	Service Intergration	19 551 722	(34 055 321)	(14 503 599)
27 266	(7 640 696)	(7 613 430)	Strategy & Social Development	1 350 833	(15 754 889)	(14 404 055)
383 486 716	(380 162 067)	3 324 648	Sub Total	436 596 421	(403 091 717)	33 504 703
-	-	-		-	-	-
383 486 716	(380 162 067)	3 324 648	Total	436 596 421	(403 091 717)	33 504 703



APPENDIX C - Unaudited LANGEBOG MUNICIPALITY SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013 GENERAL FINANCE STATISTIC CLASSIFICATIONS						
2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
2 155 667	(28 077 584)	(25 921 918)	Executive & Council	553 901	(27 295 815)	(26 741 913)
83 521 667	(21 185 541)	62 336 124	Budget & Treasury	67 436 366	(18 662 313)	48 774 053
1 280 929	(16 696 047)	(15 415 118)	Corporate Services	3 090 827	(18 590 144)	(15 499 317)
694 352	(4 861 999)	(4 167 647)	Planning & Development	1 664 082	(5 766 514)	(4 102 432)
9 920 281	(10 949 280)	(1 028 999)	Community & Social Services	9 306 164	(15 184 464)	(5 878 301)
6 074 199	(19 974 657)	(13 900 458)	Housing	18 169 660	(12 817 282)	5 352 378
5 002 074	(12 288 007)	(7 285 934)	Public Safety	4 365 269	(13 359 022)	(8 993 754)
200 502	(2 222 902)	(2 022 400)	Sport & Recreation	214 075	(2 875 811)	(2 661 736)
158 720	(13 248 804)	(13 090 084)	Environmental Protection	139 285	(12 087 103)	(11 947 818)
13 783 887	(19 013 791)	(5 229 904)	Waste Management	23 695 086	(22 530 425)	1 164 662
17 482 632	(11 144 363)	6 338 269	Waste Water Management	35 298 496	(11 305 162)	23 993 333
202 026	(14 184 491)	(13 982 465)	Road Transport	1 024 174	(14 675 395)	(13 651 221)
28 459 720	(27 807 118)	652 602	Water	35 056 931	(29 113 921)	5 943 009
214 550 061	(178 507 482)	36 042 579	Electricity	236 582 105	(198 828 345)	37 753 760
383 486 716	(380 162 067)	3 324 648	Total	436 596 421	(403 091 717)	33 504 703



APPENDIX D - Unaudited LANGEBERG MUNICIPALITY DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 Restated								
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	30 JUNE 2012	Prior Period Error	30 JUNE 2012	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2013
	R	R		R	R	R	R	R
<b>National Government Grants</b>								
MSIG	0	-	0	800 000	-	414 035	385 965	0
Zolani Taxi Rank	231 300	-	231 300	-	231 300	-	-	-0
Maderplans	54 386	-	54 386	-	-	-	-	54 386
MIG	802 213	-	802 213	18 376 000	-	2 350 462	18 827 752	-0
Equitable Share	-	-	-	51 048 000	231 300	51 279 300	-	-
FMG	0	-	0	1 250 000	-	1 250 000	-	0
INEP	632 422	-	632 422	500 000	-	189 181	1 193 281	-250 000
EFWP	-	-	-	1 000 000	-	964 868	-	35 132
Emergency Relief Flood Damage	-	-	-	1 570 000	-	184 618	1 318 703	66 679
<b>Provincial Government Grants</b>								
Library services	-0	-	-0	9 111 000	11 051	4 435 286	3 135 429	1 551 356
Main roads	-	-	-	187 000	-	187 000	-	-
Mosakhene	353 117	-	353 117	-	-	-	-	353 117
Housing Consumer Education	288 005	-197 755	91 250	-	-	82 689	-	8 581
Housing Emergency Grant	-	197 755	197 755	-	-	-	-	187 755
Job creation	128 050	-	128 050	-	-	-	-	128 050
Social Development	-0	-	-0	-	-	-	-	-0
Housing Home Sanitation	187 671	-	187 671	-	-	-	-	187 671
Housing	17 903	-	17 903	-	-	-	-	17 903
Dept Water Affairs	140 000	-	140 000	-	-	-	-	140 000
Training	313 203	-	313 203	625 394	-	-	-	938 596
Housing	1 840 157	-	1 840 157	15 530 301	-	16 798 456	395 226	176 777
CDW Operational Support Grant	-	-	-	32 000	-	32 000	-	-
Public Transport Infrastructure	1 000 000	-	1 000 000	-	-	-	825 244	174 756
Thusong Service Centre Operational Support Grant	-	-	-	218 000	-	218 000	-	-
Acceleration of Housing Delivery	-	-	-	5 000 000	-	45 333	323 810	4 630 856
<b>District Municipality Grants</b>								
ID Documents	33 260	-	33 260	-	-	-	-	33 260
Route 62 projects	37 377	-	37 377	-	-	-	-	37 377
PIMS	56 147	-	56 147	-	-	-	-	56 147
Pre-paid Watermeters	108 527	-	108 527	-	-	-	-	108 527
Ward Committees	150 000	-	150 000	-	-	-	-	150 000
PIMS	17 560	-	17 560	-	-	-	-	17 560
McGregor Dam	25 000	-	25 000	-	-	-	-	25 000
Bakery Project	218 371	-	218 371	-	-	-	-	218 371
Landfill site	332 400	-	332 400	-	-	-	-	332 400
Tarling of Streets	-	-	-	-	-	-	-	-
Cleanest Town	41 416	-	41 416	-	-	-	-	41 416
<b>Total</b>	<b>6 989 484</b>	<b>-</b>	<b>6 989 484</b>	<b>105 247 695</b>	<b>11 051</b>	<b>78 431 168</b>	<b>24 405 390</b>	<b>9 411 673</b>





# ***Chapter 6***

## REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE

The Audit Committee reports in terms of its responsibilities as prescribed by section 166 of the MFMA. The members of the Audit/Audit Performance Committee of the Langeberg Municipality for the 2012/2013 financial year are:

- Mr JJ Mostert(Chairperson)
- Mr A Amod
- Mr W van Deventer
- Mr K Pretorius

The Audit Committee met on the following dates during the 2012/2013 financial year:

- 27 August 2012
  - 25 September 2012
  - 13 December 2012
  - 19 March 2013
  - 6 June 2013
- According to the Internal Audit Plan and the execution thereof, we conclude that the internal control system is efficient and effective. During the course of the year the Chairperson evaluated the Internal Audit section which indicated similarly.

The Audit Committee has:

- Reviewed and discussed with the Accounting Officer the Audited Annual Financial Statements to be included in the Annual Report;
- Reviewed and discussed the Auditor-General's management letter and appropriate responses from management;
- Reviewed the necessary adjustments from the audit.

The Audit Committee agrees with and accepts the conclusions of the Auditor-General with respect to the adequacy and correctness of the financial information provided by Management.

We therefore recommend that the Audited Financial Statements, together with the Audit Report of the Auditor-General be accepted by the Council of the Langeberg Municipality.



Chairperson Audit Committee  
Mr JJ Mostert  
Date: 5 December 2013





## **REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE LANGEBERG MUNICIPALITY**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the financial statements of Langeberg Municipality set out on pages 3 to 75, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets, cash flow statement for the year ended, statement of comparison of budget and actual amounts and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### **The accounting officer's responsibility for the financial statements**

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

## **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Langeberg Municipality as at 30 June 2013, and its financial performance, cash flows and comparison between actual and the budget amounts for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

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

## **Restatement of corresponding figures**

8. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during the 2012-13 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2012.

## **Material losses**

9. As disclosed in note 22 to the financial statements the municipality wrote off bad debts to the amount of R6 601 032 as these debtors were found to be unable to settle their accounts due to their economic circumstances.
10. As disclosed in note 46.4 to the financial statements the municipality incurred significant water losses of 18.21% or 1 445 900 kiloliters respectively due to technical and non-technical losses and significant electricity losses of 7.37% or 21 361 110 kilowatts respectively due to technical and non-technical losses.

## **Impairments**

11. As disclosed in notes 19, 22 and 23 to the financial statements the municipality has provided for impairment of long term receivables and trade receivables from exchange and non-exchange transactions respectively of R34 827 111 due to objective evidence that these debtors would default on their respective accounts.

## **Material under spending of the budget**

12. As disclosed in note 45 to the financial statements, the municipality had a material under spending of R37 050 990 at 30 June 2013. The under spending related to operating expenditure and various capital expenditure items amounting to R30 432 318 and R6 618 672 respectively as a result of cost savings on various votes and capital works that could not be completed by 30 June 2013 and rolled over in the first adjustments budget of 2013/2014. Consequently, housing and electricity capital projects could not be completed.

## **Additional matters**

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

### **Material inconsistencies in other information included in the annual report**

14. No material inconsistencies between the draft annual report and financial statements were identified. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

### **Unaudited supplementary schedules**

15. The supplementary information set out in appendix A to D on pages 76 to 79 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

#### **Predetermined objectives**

17. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 10 to 43 of the annual report.
18. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.
19. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.
20. The reliability of the information in respect of the selected strategic objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
21. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### **Additional matter**

22. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter.

### **Achievement of planned targets**

23. Of the total number of planned targets, 29 were not achieved during the year under review. This means that 30% of the total planned targets were not achieved during the year under review. This was because the municipality did not consider relevant systems and evidential requirements during the annual strategic planning process.

### **Compliance with laws and regulations**

24. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

### **Internal control**

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control that I considered sufficiently significant for inclusion in this report.

### **OTHER REPORTS**

#### **Investigations completed during the financial year**

26. An investigation was concluded on allegations of fraud by an E-Natis clerk in Montagu. Disciplinary steps were taken and the employee was dismissed. Criminal proceedings were also instituted.

Cape Town

29 November 2013



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



**ACTION PLAN FOR 2012/2013 EXTERNAL AUDIT FINDINGS**

No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible person
1	<b>COMAF 1</b> SCM – Duplicate Supplier information	Management should put processes in place to identify duplicate suppliers and investigate such instances and implement measures to ensure that such suppliers cannot bid for awards as two separate entities. Furthermore, management should ensure that the SCM supplier database be updated on an annual bases to eliminate duplications of supplier information on their system	The suppliers with duplicate bank accounts and/or telephone numbers will be investigated and the necessary steps will be taken, if needed.  The supplier database will be updated; the possibility of identifying duplicate suppliers, bank account number, telephone number etc by the SCM system when suppliers are registered on the suppliers-database will be investigated while the supplier's database will be checked quarterly.	Management comments are noted, the finding will be reported in the management report as a control weakness and steps taken by management will followed up during next year's audit.	Mr CF Hoffmann S Ngcongolo
2	<b>COMAF 2</b> Bad Debts - The amount of Bad debts written-off as disclosed under note 32 (Debt impairment) in the financial statements exceeded the amount approved by council	Management should review the control accounts in respect of bad debts and reconcile amounts written off to the authorisation for write off as approved by council	It should be noted that it is not only the bad debts of indigents that are written off. The CFO can in terms of the internal delegation of authority approve write-offs which was not included in the list as per COMAF 2.	The control account for bad debts will be reconciled with the approvals of Council and the CFO and the reconciliation will be provided on/before 25 October 2013.	Mr CF Hoffmann Mr B Brown
3	<b>COMAF 3</b> Overtime - Overtime was worked in excess of the permitted hours per the BCEA	It is recommended that management adheres to the conditions set by the BCEA and the policy framework. Management should evaluate the amount of overtime to be worked before approving it and subsequently review to confirm compliance with prescripts.	Control measures was put in place by management during 2012 to ensure that employees do not work overtime for longer than 10 hours per week, as prescribed by the Basic Conditions of Employment Act, 1997 but it seemed not to be effective. Stricter control measures will be put in place by management.	Management comments are noted, the finding will be reported in the management report under "Other important matters".	Mr CF Hoffmann Mr A Everson



No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible Person
4	<b>COMAF 4</b> Journals - The journal was requested for testing but could not be furnished to the auditors as it could not be found.	Management should submit information requested so that adequate tests can be performed.	The journals as referred to in the audit finding, was reversals of journals 7480 and 8603. A journal will be compiled and provided for audit purposes.	Journal Provided	Mr CF Hoffmann Mr B Brown
5	<b>COMAF 5- Compliance</b> On Inspection of the Integrated Development Plan (IDP) revealed that the municipality has not adopted a Water Service Development Plan (WSDP) as prescribed in the act. This could have an impact on service delivery in respect of non-achievement of water and sanitation targets of the municipality.	Management should develop a Water Service Development Plan in terms of the Water Services Act and have it accordingly adopted by council.	A WSDP was compiled for Langeberg Municipality in 2007. A Director Engineering Services was appointed in October 2012 where after the review of the WSDP was identified and the necessary steps taken to rectify the situation	Worley Parsons was appointed in June 2013 for the development of Water Services Development Plan (WSDP) for Langeberg Municipality and is currently in process with a completion date of March 2014 where after the WSDP will be submitted to Council for approval and adoption in March 2014.	Mrs CO Matthys Mr I van der Westhuizen
6	<b>COMAF 6</b> Revenue Disclosure – The financial statements did not disclose an in-kind donation of computers amounting to R68 700 received from an overseas donor. Consequently, note 52 to the financial statements (In-kind donations and assistance) was understated by R68 700. Resulting from the nature of the transaction the municipality missed recording the transaction when it occurred. The financial statement may not present fairly the proceeds from donations.	Management should put controls in place to ensure that all donations received are recognised in the financial statements and completely disclosed in the notes thereto.	Management agrees with the audit finding as raised. Management will put measures in place to ensure that all donations in kind received are disclosed in the Annual Financial Statements. The previous sentence under note 52 will be removed and the updated sentence will read as follows: The municipality received in-kind donations for the year under review to the amount of R68 7	The Revenue Disclosure was adjusted	Mr CF Hoffmann Mr Brown



No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible Person
7	<p><b>COMAF 7</b> Leave Provision in excess of 48 days in terms of the South African Local Government Bargaining Council (SALGBC) Main Collective Agreement, Sections 3.1.3 and 3.1.4 an employee shall retain a maximum of 48 leave days per leave cycle.</p> <p>The employees retained leave days in excess of 48 days per leave cycle and the excess was incorrectly taken into account when determining the leave provision</p>	It is recommended that the leave report used by management in the calculation of the leave provision be reviewed for anomalies and compliance with applicable laws and regulations to ensure the accuracy thereof.	Management does not agree with the audit finding as raised. The leave cycle of Langeberg Municipality ends at 31 December each year and leave accumulates at the same date. At the end of December all leave credits decreased to 48 days in terms of section 3.1.3, 3.1.4 and 3.1.6 of the Main Collective Agreement. The leave as accrued thereafter until 30 June is the sum of the accumulated leave and the accrued leave. The accrued leave can still be taken or encashed during the leave cycle (1 January until 31 December) and must therefore be included in the provision for leave.	No Action required as the comaf was resolved	Mr Everson Mr CF Hoffmann
8	<p><b>COMAF 8</b> – Performance on Pre-determined objectives In terms of section 12(2)(e) of chapter 3 of the Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 24 August 2001) (MP&amp;PMR) a performance target set in terms of subregulation (1) must be consistent with the municipality's development priorities and objectives set out in its integrated development plan. The inconsistency was identified when comparing the targets set in the 2012/13 Service Delivery and Budget Implementation Plan (SDBIP) and the 2012/13 annual performance report (APR):</p>	Management should ensure that reported targets per the APR are reconciled to planned targets per the approved SDBIP for each development priority.	<p>Management agrees with the finding and request permission to correct the target to 150 in the APR</p> <p>Necessary correction will also be made to the quarterly targets to add up to 150 as indicated in the SDBIP</p> <p>Target will be corrected per quarter as follows 20/30/50/50</p>	Immediate correction	Mrs CO Matthys





9	<b>COMAF 9</b> Leave Pay out in excess of 48 days	In terms of the South African Local Government Bargaining Council (SALGBC) Main Collective Agreement, Sections 3.1.3 and 3.1.4 an employee shall retain a maximum of 48 leave days per leave cycle  In terms of note 7 (Current employee benefits) expenditure was incurred amounting to R2 210 28 in respect of staff leave.	The Municipality has since the introduction of the Main Collective Agreement on conditions of service, dealt with annual leave at the end of a leave cycle, being 31 December of a year that accrued leave not be more than 48 days, but that the leave of the next leave cycle, meaning January to December of the following year is not included in the 48 days accrued leave.	No action required as the comaf was resolved	Mr Everson Mr CF hoffmann
10	<b>COMAF 10</b> Employee Benefits – Interest Costs The interest costs were incorrectly disclosed in Notes 4 and 35 of the financial Statements	Management should put controls in place to ensure that amounts received from the actuaries are reconciled to the notes in the financial Statements	Management agrees with the audit finding and will put measures in place to ensure that all disclosure notes in the Annual Financial Statements relating to the Employee Benefits reconciles with the actuarial reports.	Note 35 and Note 30 Amended	Mr CF Hoffmann Mr B Brown
11	<b>COMAF 11</b> Financial Instruments Disclosure The audit revealed that the notes 48(e) (Liquidity risk) to the financial statements with respect of capital repayments were not casting, consequently, capital repayments in respect of long term liabilities were understated by R18 708 193 in the notes to the financial statements	It is recommended that a person independent of the preparer of the disclosure or of the financial statements adequately reviews the financial statements for accuracy. Further recommended that management should correct the misstatement resulting from incorrect amount of capital repayments in respect of long term liabilities as it presents a material misstatement in the financial statements and results in the modification of the audit report if not corrected.	Management agrees with the audit finding as raised. Management will put measures in place to ensure that all disclosure notes in the Annual Financial Statements are checked for correct casting and that it balances back to all relevant notes.	Note 49 will be amended	Mr CF Hoffmann Mr B Brown



No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible person
12	<b>COMAF 12</b> Pre-determined Objectives - During the audit of predetermined objectives the portfolio of evidence for the following indicators listed in table 1 did not agree to the actual achievements reported in the annual performance report, furthermore the actual targets reported could not be measured as per the no. of households measurement:	Management should ensure that all actual achievements reported in the annual performance report are supported with the valid, accurate and complete source information for audit purposes.	Management agrees with the finding and request permission to do the necessary correction to the APR in order to correctly reflect the audited information	Monthly checking if information loaded on system as supporting documentation  Monthly verification on correctness of information	Mrs CO Matthys Mrs I Datson Mrs N Nunu
13	<b>COMAF 13- Roads Infrastructure</b> No performance target set for rehabilitation and construction of new roads	It is recommended that the municipality set targets regarding rehabilitation and construction of new roads so as to be in line with the national development priorities in order for backlogs in respect of roads infrastructure to be managed effectively on a national level..	Management agrees with the finding on the incorrect wording of the KPI. The KPI should have read the "Rehabilitation of Muskadel Road" and not the Resealing of Roads  All communication in the media and to the communities was on the rehabilitation of Muskadel road and not the Resealing thereof, thus the use of resealing in the KPI is unfortunate Disagree with the assertion that Construction of new roads and the rehabilitation of roads are not a priority in terms of the Pavement Management System	Rehabilitation/maintenance of existing streets will be done according to the Pavement Management System.  New streets will be constructed on demand,  Monthly checking if information loaded on system as supporting documentation	Mrs CO Matthys Mr I van der Westhuizen
IT	<b>1. Domain Password Policy</b> domain account policies were not in compliance with the municipality's IT Policy:	Management should review the domain account policy settings and configure the settings to comply with the IT security policy.	Management agrees with the finding and with immediate effect as from 22 October 2013 IT will change the settings to comply with the IT security policy.	As from 22 October 2013 IT will change the settings to comply with the IT security policy.	Mrs CO Matthys Mr E Prins



No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible person
	<p><b>2. User Account Management:</b> Administrator and user activity log reviews on the applications (Suprima, Promun and Collaborator) were not reviewed on a regular basis, to ensure appropriateness of access.</p>	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>• Critical user activities (audit logs) on the applications are reviewed periodically.</li> <li>• Exceptions or potential violations should be followed up and evidence of this review should be signed off and filed for reference purposes.</li> <li>• The frequency of these reviews should depend on the criticality of the activities that users perform on the system.</li> </ul>	<p>Management agrees with the findings and will ensure as from 1 November 2013 monthly reports on key applications are generated and forwarded to the relevant line Managers to verify and review the user activities</p>	<p>By the 1<sup>st</sup> of November the monthly reports will be generated</p>	<p>Mrs CO Matthys Mr E Prins</p>



No.	Audit Finding	AG Recommendation	Management Response	Action Plan	Responsible person
	<p><b>3. IT Disaster Recovery Plan</b> During the audit, it was found that the municipality did not have a formal Disaster Recovery Plan (DRP).</p> <p>The lack of a DRP may result in the municipality being unable to recover IT systems after a disaster.</p>	<p>The municipality should develop DRP that will enable the municipality to recover IT systems in line with the business continuity requirements. The following process (also see section 6.1. of the IT security policy) should be followed when drafting the DRP:</p> <ul style="list-style-type: none"> <li>• Understand your information recovery requirements. – Perform Business Impact Analysis and DRP risk assessment</li> <li>• Determining an IT Continuity strategy(s) that will meet the information recovery requirements - Hot site/server mirroring, warm site or cold site.</li> <li>• Develop and implement the best IT Continuity strategy or response – Develop the actual DRP</li> <li>• Exercise, maintain and review the DRP</li> </ul> <p>Keep a copy of the DRP at an offsite location</p>	<p>Management agrees with the finding and will ensure that the DRP plan is developed according to the processes as identified in the recommendations.</p>	<p>DR Plan will be completed by 30 June 2014</p>	<p>Mrs CO Matthys Mr E Prins</p>







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