



**DRAFT**  
**2013 | 2014 ANNUAL REPORT**



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# CHAPTER 1



## Mayor's Foreword and Executive Summary



### 1.1. Mayor's Foreword

Within our current economic climate the Langeberg Municipality continues to face great economic and fiscal challenges. However challenging, the long term prospects of this area, renowned for its picturesque, natural beauty, drives us to turn it into one of this country's greatest gems. It gives me great pleasure to announce our steadfast growth and development of the area during the 2013/2014 financial year.

Under the political direction of the DA, this municipality is in a process of being steadily steered through a system of improved governance. In achieving our quests for 2013/2014, the Executive Mayoral Committee focussed on accountable and improved service delivery. Our focus aligned well to Provincial and National Growth and Development Strategies and corrective actions were taken to ensure achievement of the strategic objectives of the IDP.

Our priorities centred Langeberg Municipality towards accountability in service delivery, good governance and laying the foundation for better execution of services to our people. Having our people at the centre of all our actions also necessitated a focus on clearer communication, more accessible information and better engagement with the community.

The Langeberg Municipality has worked hard to maintain and to once again achieve the highest accolade from the Auditor General by achieving a clean audit status for the 2013/14 financial year. This honour was achieved through both political and administrative will, alike. All played a pivotal role in complying with existing municipal systems as well as new ones developed and implemented to transform the municipality into a well functioning organisation. Maintaining this status in future will no doubt be the goal of all.

Our strategic direction for the past year brought about a fundamental shift in perspectives, both internally and externally. The Mayoral Committee, with its targeted approach to reach and engage our community and to bring about administrative stability, made steady progress towards reaching set goals to meet the needs of our people.

Half way through our term of governing the Langeberg Municipality, we are proud of our accomplishments. Objectives to improve service delivery in essential services – in particular refuse removal, access to water and sanitation, clean drinking water and provision of electricity to households - were substantially met and testify our commitment to maintain high levels of service delivery.

Having laid a strong, guiding foundation, we are well on our way in setting and keeping the Langeberg Municipality on course for sustained service delivery, short- and long term growth, accessible development and clear, visible, accountable actions. It is our aim to touch the lives of all citizens living in the Langeberg municipal area and this Annual Report is testimony of our commitment to put "our people at the centre of development".



**Alderman Diana Gagiano**  
**Executive Mayor**

## 1.2. Municipal Manager's Foreword

This past financial year, the Langeberg Municipality's general focus remained on service delivery, financial stability and development of the community and municipal area, whilst my specific focus shifted to organisational health, legislative compliance and improved communication. The aim of this specific focus was to lay a solid foundation for Langeberg Municipality to engage in accountable and participative local government practices. As such, interventions were aimed at the internal organisation - ensuring clear directives, better oversight and controlled compliance as well as improved external engagement with the community through, amongst others, improved access to directives and information. Examples of these specifically, targeted interventions, can be found in the following:



### ***Improved Communication***

Improved communication featured significantly in my shifted focus. Inevitably key to this, was to ensure institutionalised capacity within the Communications Unit. This need resulted in Langeberg Municipality now having fully fledged communication and language services at its immediate disposal, leading to much needed and improved access to information. Municipal policies, notices, news and information (important to the community and/or staff) can now be accessed in all three official languages of our area and province. As such, this is not only significantly empowering to the community, but it also contributes to building a strong organisation with clear directives, well-managed knowledge and an informed staff complement who are working in an environment of change, constantly striving to improve the organisation, to embrace new strategic directions and to meet new goals. Another improvement to our internal communication is the development and availability of access to an intranet system. On completion of staff training, full implementation of the system is scheduled for the next financial year.

### ***Improved Community Engagement***

Apart from community engagements in the IDP and Budgeting process, which are strictly adhered to and complied with, the Langeberg Municipality also aims to improve its efforts of community engagement each year. In 2013/2014 we have embarked on a path to reach and touch our communities by engaging and empowering them in matters of governance. A youth summit was held during July 2013 where after issues rose resulted in the drafting of a Social Development Strategy which will be finalised in the next financial year. Community participation in the process will give communities insight, knowledge and an understanding of the document, its content and the services to which they have equitable access. Langeberg Municipality's policies and strategies, revised or newly developed, all demand some form of community engagement in its implementation processes and/or procedures. Examples of these can be found in the 2013/2014 – Community participation policy, Housing policy, Street Naming Policy and LED Strategy.

### ***Improved Performance Management***

The municipality rolled out a performance framework within the organisation up until the level of supervision. Implementation and monitoring thereof will be a targeted and continued focus in 2014/2015.

## **Functions and Powers**

Continued improvements to the internal and external environments of this municipality brought inevitable good spin-offs and improvement to the lives of the citizens of the Langeberg area. In terms of the functions and powers of local government as contained in Sections 155 -156 of the Constitution and Chapter 3 of the Municipal Systems Act, some of our service delivery accomplishments during the 2013/2014 financial year serve as proof of these and include the following:



### ***Service Delivery in Socio-Economic Development, Poverty Alleviation and Job Creation***

The Langeberg Municipality is committed to the social and economic development of our people and area.

Unemployment and a lack of skills development continue to be of the biggest problems hampering the economic growth of the Langeberg area. The municipality, with the assistance of the Expanded Public Works Programme (EPWP) and the Municipal Infrastructure Grant (MIG), invested substantially over the past financial year in job creation and skills development within the area. 437 new work opportunities were created through the municipality's EPWP programme – nearly double the annual target set in this regard.

Langeberg municipality is also committed to poverty alleviation and has provided well for indigent grants in its annual budget. The Municipal Council made provision in its budgets to subsidise 7000 indigents households, and approximately 6700 indigents on average received subsidies of 50 Kwh free basic electricity, refuse removal and 6 KL of free basic water per month.

We are progressively investing in the poor and unemployed each year. A new Grants-in Aid policy has been developed and implemented to assist organisations, serving our poor communities, with funding. A number of Grant-in-Aid Contracts have been signed and managed in 2013/2014. These organisations are performing functions that resorts within the powers of the municipality as envisaged in the Constitution.

Various economic development opportunities have been made available throughout the area. Specific attention was given to Tourism development and marketing of the broad municipal area.

The Langeberg Contractor Development Programme aimed to enhance the capacity of local small contractors, to take advantage of public and private infrastructure projects as well as EPWP projects rolled out by the public and private sector - thus strengthening the construction sector and contracting capacity within the municipal area.

Implementation of our Local Economic Development Strategy, which has been adopted in 2013/2014, will certainly unlock more opportunities within the Langeberg municipal area in the future.

The municipality achieved its set targets for social development well. Various social development programmes ran within the community during the 2013/2014 year, especially in rural areas. It is our aim to intensify our efforts for improved social development in the next financial year.

### ***Service Delivery in Infrastructure Development and Maintenance***

The rehabilitation and upgrade of Muskadel Street in Ashbury, Montagu, was completed in 2013/14, as well as various other infrastructure projects.

### ***Service Delivery in Maintaining Environmental Health***

The Municipality is committed to provide and maintain a healthy environment and performed well in over-achieving its target to increase the tonnage of recycled domestic waste in the municipal area.

### ***Service Delivery pertaining to Good Governance***

2013/2014 saw various revisions to existing policies and strategies as well as the development of new municipal directives. As such, Council has adopted the Local Economic Development Strategy, the Municipal Delegations System, two Bylaws as well as those policies mentioned prior.

### ***Shared Functions***

The functions of Disaster Management and Air Quality Management (AQM) are shared with the District Municipality.

## Expressed confidence by Auditor General

The Auditor-General awarded the Langeberg Municipality with a clean audit for the 2012/2013 financial year. This 2<sup>nd</sup> consecutive expression of confidence in Langeberg Municipality brings assurance to our citizens and all stakeholders that this municipality is in good hands and that the foundation, laid for sound financial management, is solid for the years ahead.

I am satisfied that notes to the Auditor General's clean audit opinion for 2012/2013 have been substantially addressed and met.

## Financial Health

Although still challenged in many ways, the Langeberg Municipality is financially stable and performed well in the year under review.

## Revenue Trends by Source

In comparison to 2012/2013, revenue sources in 2013/2014 showed the following trends:

| REVENUE BY SOURCE                                 | 2013          | 2014          | TREND (ACTUAL)<br><i>Current year (2014) - Prior year<br/>(2013) x 100<br/>Prior year(2013)</i> |
|---|---------------|---------------|---|
| Property rates                                    | R 29 806 702  | R 32 283 527  | 8.31%   |
| Property rates – penalties and collection charges | -             | -             |   |
| Service charges                                   | R 276 233 489 | R 294 331 373 | 6.55%   |
| Rental of facilities and equipment                | R 2 090 892   | R 2 053 464   | -1.79%  |
| Interest earned – External investments            | R 3 306 307   | R 2 843 597   | -13.99%   |
| Interest earned – outstanding debtors             | R 2 867 632   | R 3 286 837   | 14.62%  |
| Dividends received                                | -             | -             |   |
| Actuarial gains                                   | R 1 250 989   | R 291 583     | -76.69%   |
| Fair value adjustments                            | R 39 068      | R 19 005      | -51.35%   |
| Fines   | R 4 018 426   | R 10 845 894  | 169.90%   |
| Impairment Reversal                               | R 3 331 913   | -             | -100.00%  |
| Stock adjustments                                 | R 39 059      | -             | -100.00%  |
| Licences and permits                              | R 1 112 661   | R 1 077 339   | -3.17%  |
| Agency services                                   | R 2 169 449   | R 2 489 816   | 14.77%  |
| Government grants and subsidies                   | R 103 388 371 | R 100 526 394 | -2.77%  |
| Public contributions and donations                | R 0           | R 14 900      |   |
| Other revenue                                     | R 10 469 470  | R 12 522 330  | 19.61%  |
| Unamortised discount - Interest                   | R 60 486      | R 67 882      | 12.23%  |
| Gains on disposal of PPE                          | -             | -             |   |
| Total   | R 440 184 913 | R 462 653 942 | 5.10%   |



## **Borrowing**

In comparison to 2012/2013, borrowing in 2013/2014 showed the following variances:

| BORROWINGS  | 2012/2013    | 2013/2014    | VARIANCE (ACTUAL)<br><i>Current year (2014) - Prior year<br/>(2013) x 100<br/>Prior year(2013)</i> |
|-------------|--------------|--------------|--|
| Current     | R 4 242 681  | R 4 136 068  | -2.51%   |
| Non-current | R 32 203 958 | R 28 640 804 | -11.06%  |
| Total       | R 36 446 639 | R 32 776 872 | -10.07%  |

## **Internal Change**

No organisational change took place during the financial year under review however key appointments were made in the communications unit to ensure that we strengthen communications to the public. Furthermore a compliance officer was appointed to enhance good governance within the organisation

## **Management and Mitigation of Risks**

The management of municipal risk and legislative compliance by the Langeberg Municipality was a high priority for the 2013/2014 year. I undertook to embed a culture of risk management within the municipality, by developing a solid foundation for continuous and effective risk management. For this purpose prevention, detection, response and investigative policies and strategies have been developed. The appointment of a Compliance Officer was also effected to ensure that the Langeberg Municipality has and maintains effective, efficient and transparent systems of financial management, risk management, internal control, oversight and general compliance with legislation. The implementation of these measures improved our capacity to effectively develop and manage a proper risk register in the next financial year and thereafter. It strengthens our aim to pro-actively lower unnecessary exposure to risk and to continuously uphold Langeberg Municipality's zero tolerance to fraud and corruption, maladministration or any other dishonest activity.

We have made steady progress in achieving our stated objectives within each of its defined priority areas and acknowledge the fact that the municipality still faces major challenges. We however, remain steadfast and committed to our priorities and to our quest to address the root causes of these challenges.

Ultimately, our ability to realise our objectives means a better future, quality of life and better economic prospects to each and every person of the Langeberg area. As an organisation we believe that our institutional growth and progress thus far, provide a solid foundation to meet new challenges and to focus on providing an improved environment for sustained and shared economic growth, improved service delivery and on creating sustainable living conditions. It is our commitment to diligently continue with the task at hand and to ensure that all citizens benefit and enjoy our services and the opportunities that our area provides.

It is my privilege to present this Annual Report.



SA Mokweni  
Municipal Manager

### 1.3. Executive Overview of the Langeberg Municipality

This section of the annual report provides a summative framework of the municipality from an executive perspective and reports, in short, on how the municipality functions, its demographics and its performance in 2013/2014.

#### 1.3.1. Municipal Functioning in terms of Political and Institutional Structures, Office Bearers, Administration and Community

##### 1.3.1.1. Langeberg Municipal Council

**Table 1: Council Structure, Members and Political Alliance**

|    | Councillors            |             | Political Party |
|----|------------------------|-------------|-----------------|
| 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  | Dendeline 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 | Colin Burton           | Swanepoel   | 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             |

*\*One position is vacant within the Civic Independent*

### 1.3.1.2. Executive Mayoral Committee

**Table 2: Mayoral Committee Structure**

|   | Councillor      |                | Party | PR/Ward |
|---|-----------------|----------------|-------|---------|
| 1 | Executive Mayor | Gagiano, D     | DA    | PR 1    |
| 2 | Deputy Mayor    | Klaas, K I     | COPE  | PR1     |
| 3 | Mayco Member    | Scheffers, EMJ | DA    | Ward 12 |
| 4 | Mayco Member    | Crouwcamp, NP  | CI    | PR 1    |
| 5 | Mayco Member    | Van Eeden, SW  | DA    | Ward 8  |
| 6 | Mayco Member    | Kortje, R R    | DA    | Ward 4  |

### 1.3.1.3. Executive Management

The Executive Management team is the key force behind the achievement of the municipality's strategic goals. The macro design of the administration in 2013/2014 is illustrated below:

#### Senior Management Team:

|                            |  |
|----------------------------|--|
| Mr SA Mokweni              | - Municipal Manager                        |
| Mr AWJ Everson             | - Director Corporate Services              |
| Mr CF Hoffmann             | - Chief Financial Officer                  |
| Mrs CO Matthys             | - Director Strategy and Social Development |
| Mr. IAB van der Westhuizen | - Director Engineering Services            |

### 1.3.1.4. Section 79 - Portfolio Committees and Chairpersons

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

**Table 3: 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 |

### 1.3.1.5. Office of the Speaker

Councillor DA Hull was the Speaker of the Langeberg Council during 2013/2014.

### 1.3.1.6. 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 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 councillor; or
  - (ii) Through the ward councillor 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 2013.

**Table 4: Ward Committees and Chairperson in 2013/2014**

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

#### **1.3.1.7. Ward Committees and Community Participation**

The municipality work together with Ward Committees in its public participation processes and reach the community by disseminating information to them, by engaging with them in consultation and by allowing community inputs in municipal decision-making regarding service delivery, developing credible IDPs, policy formulation, budgeting processes and organisational performance. For this purpose the Ward Committees of Langeberg Municipality held various meetings with the community e.g. IDP Community Input Meetings, Ward Based Planning Sessions and ordinary Community Feedback Meetings. In addition to this a number of Community Outreach Programmes were also rolled out in the different wards.

#### **1.3.1.8. Corporate Governance and Community Participation**

#### **1.3.1.9. Municipal Imbizos**

During the month of April 2014, IDP and Budgeting processes information and consultative meetings were held for all 12 wards. Interested organisations and individuals of all sectors were invited to attend the scheduled meetings per ward. The 2013/2014 financial year Imbizos were held in Ashton and Robertson.

### 1.3.1.10. Community Liaison Workers

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

**Table 5: CLWs Linkage to Wards**

| CLW                   | Town/Area           | Ward Deployed |
|-----------------------|---------------------|---------------|
| 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 Nkqubela | 10            |
| Ms Charmain Swanepoel | Montagu             | 7 & 12        |
| Ms Natasha Plaatjies  | Ashton              | 9 & 11        |

### 1.3.1.11. 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.

For the purpose of evaluating the performance of an 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 Gagiano Executive Mayor
- Councillors attending the evaluations for the portfolio's they represent.
- Adv. H Linde Municipal Manager from Berg River Municipality
- Mr JJ Mostert, chairperson of the Audit Committee
- Dr G Joubert, Member of the Community for the Municipal Manager

### 1.3.1.12. Municipal Public Accounts (MPAC) Committee

Langeberg Municipality's MPAC was established on the 28 January 2013. In terms of the provision of Section 79 of the Local Government Municipal Structures Act, Act No. 117 of 1998, five (5) MPAC committee members were appointed to strengthen oversight within the municipality and to determine the institutional functionality of the Municipal Council in terms of effectiveness.

The members of Langeberg Municipal Accounts Committee are:

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

#### 1.3.1.13. Internal Audit and Audit Committee

Langeberg Municipality's Audit Committee was established on 1 August 2006. In terms of Section 166 (1) of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003), members were appointed for a period of 3 years. The Audit Committee is responsible for the oversight of internal controls, financial reporting and compliance with regulatory matters. The Committee convened 5 meetings in the 2013/2014 financial year.

The members of Langeberg Audit Accounts Committee are:

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

#### 1.3.1.14. Anti-Corruption and Anti-Fraud

The following fraud preventative arrangements have been instituted:

- Promotion of an ethical culture;
- Provision of training to employees;
- Adoption of policies and procedures;
- Provision of physical security for buildings; and
- Employee vetting before employees are appointed.

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

- An Internal Audit Unit has been established.
- Management takes steps against fraudulent actions.
- A Compliance Officer has been appointed in the Office of the Municipal Manager.
- Directors and the Internal Audit Department identify risks.
- An Audit Committee approves the Internal Audit Plan.

### 1.3.2. Geographical Reality of Langeberg Municipality

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

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 to tourists.

The Langeberg Municipality's vision is ***'Creating a stable living environment and sustainable living conditions for all citizens'***.

This 2013/2014 Annual Report provides an overview of the challenges and achievements of the municipality, in striving to achieve this vision over the past financial year.



### 1.3.2.1. Economy of the Langeberg Municipal Area

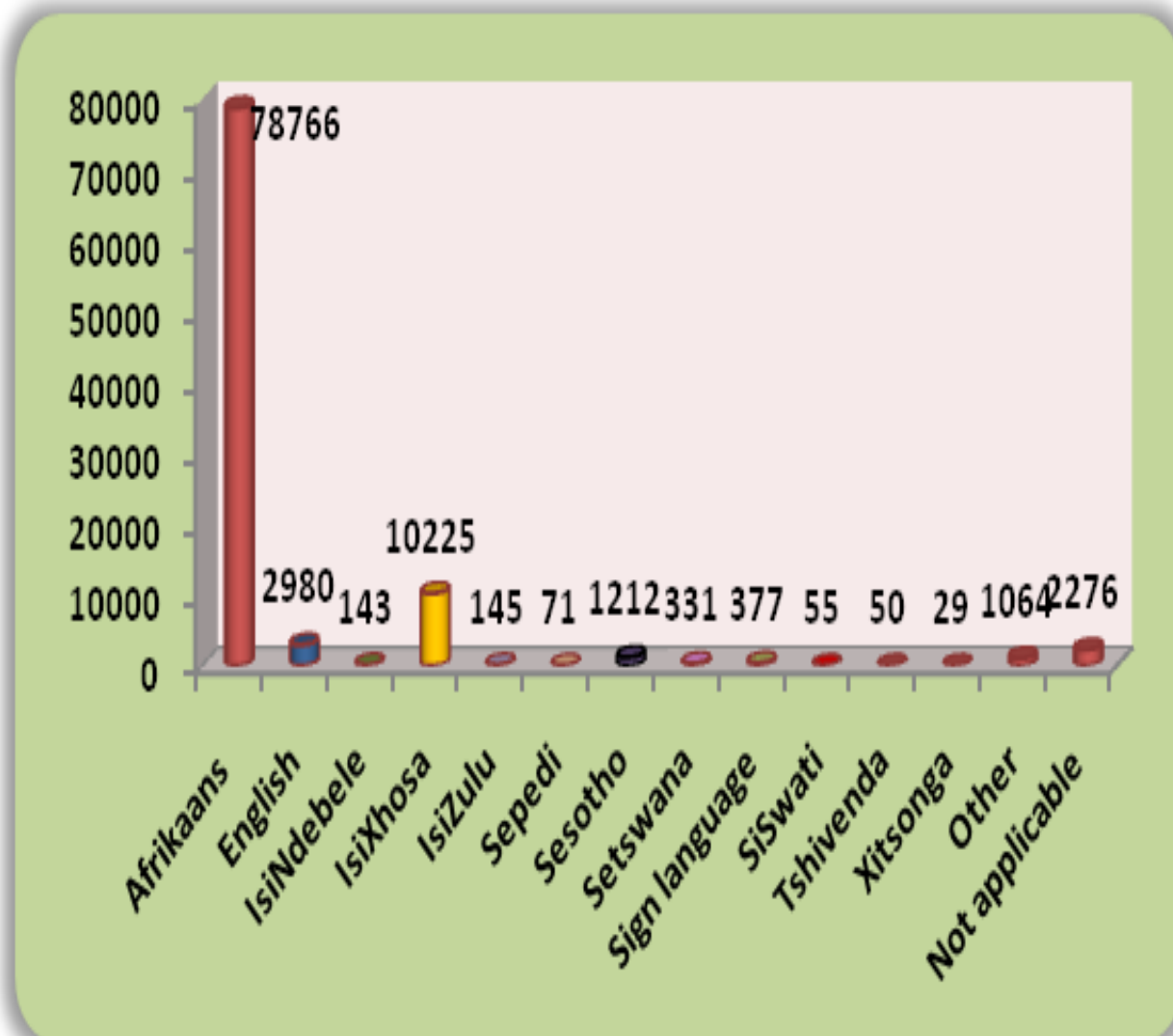
Manufacturing is the primary employing sector within the Langeberg area, followed closely by agriculture, wholesale and retail trade, followed by catering and accommodation. Despite a 3.9% growth in the economy over a ten year period, the Langeberg area has lost 2846 jobs over the same period. The highest contributing sectors to the Growth Domestic Product (GDP) 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%)

### 1.3.2.2. Language Preference within Langeberg Municipality

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.

Graph A: Language Preference in Langeberg Municipality



**Table 6: Language Preference in Langeberg municipal area**

| Language       | Preference of Language | % of Local Population |
|----------------|------------------------|-----------------------|
| 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                     |
| Total          | 97724                  | 100                   |

#### **1.3.2.3. Demographics**

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

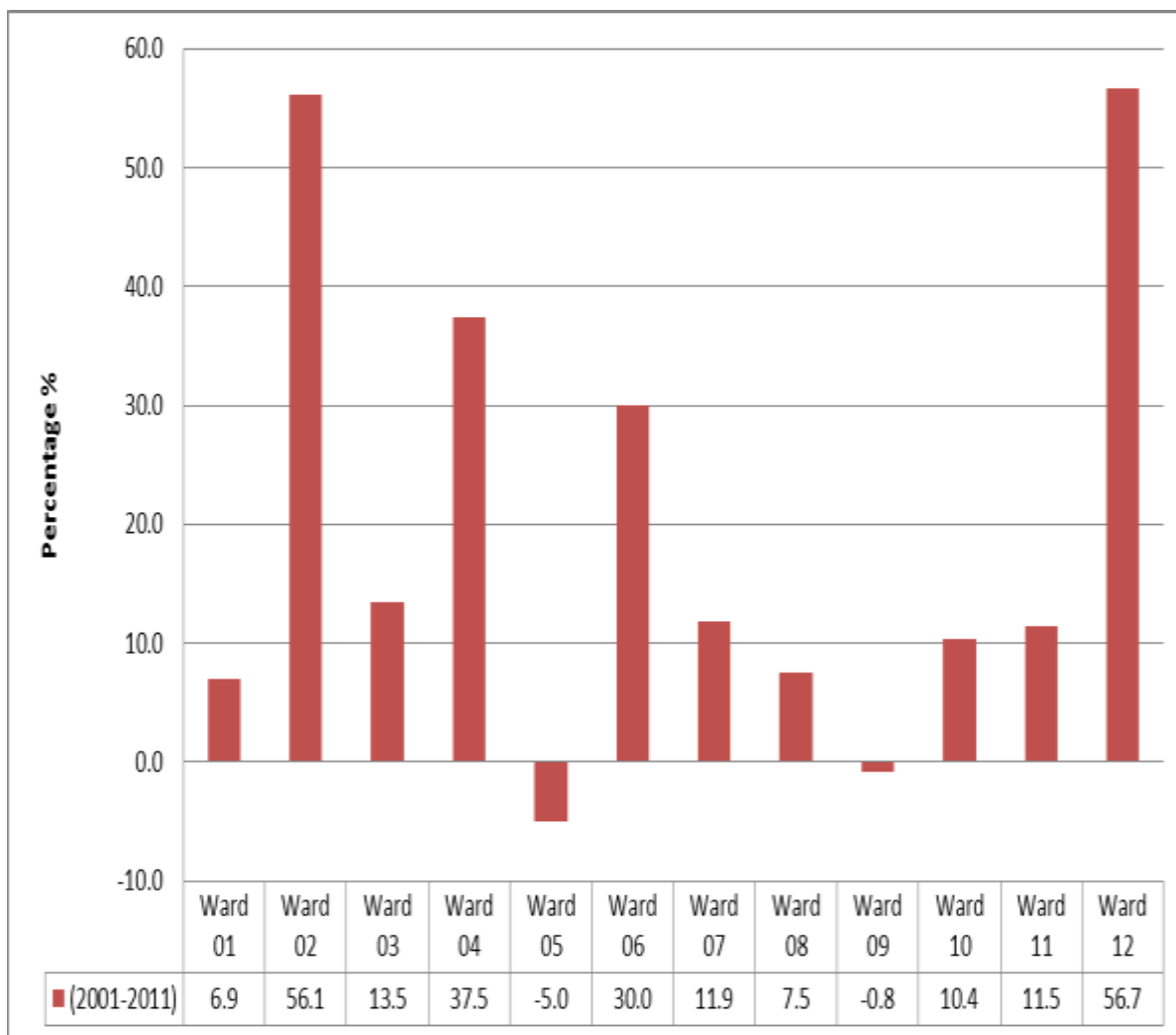
The Langeberg area has a population size of 97,724 persons, which means 12% of the people in the Cape Winelands District and 2% of the people in the Western Cape reside within the Langeberg area. Coloureds (70%) are the largest population group by race, followed by black Africans (16%), and whites (12%).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

The graphs following below give some more insight into the geographical reality of the Langeberg municipal area.

#### 1.3.2.4. Population growth

The population increased across the wards with the exception of ward 5 and 9, which decreased over the ten years period. Ward 12 (56,7%), Ward 2 (56,1%) and ward 6 (30,0%) have experienced faster growth during the indicated period.

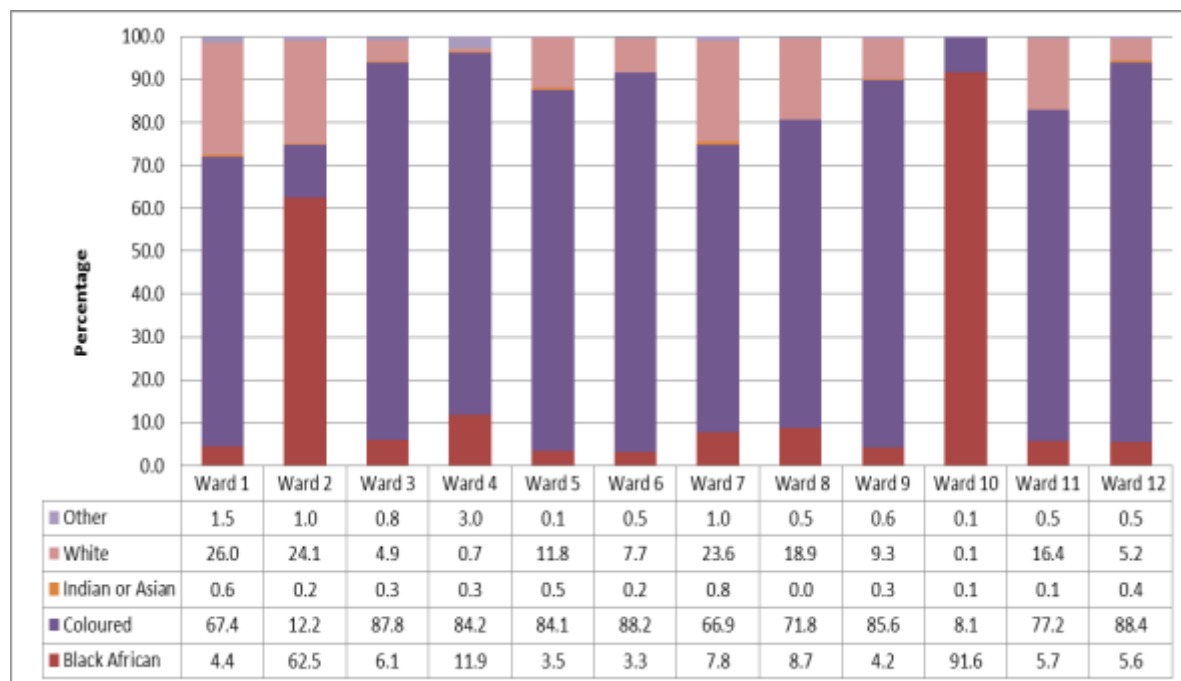
**Graph B: Population Growth in Langeberg Municipality**



### 1.3.2.5. Population Groups

The majority population group is Coloured, followed by Black African, whites and Indian/Asian across all wards except Ward 2 and 10 where the majority is made up of Black African.

**Graph C: Distribution of the population by population groups in Langeberg Municipal Wards**



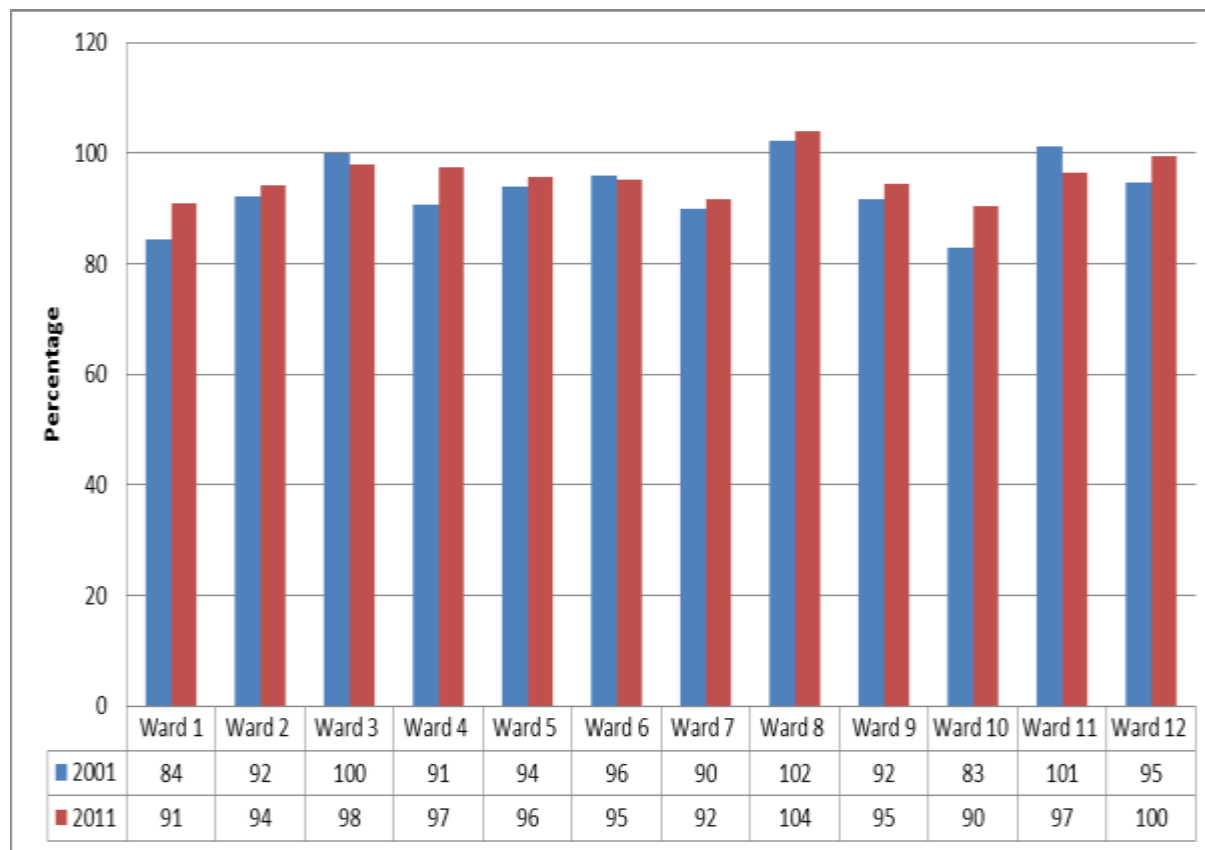
**Table 7: Distribution of the population by population group in Langeberg municipal wards**

|         | Black African | Coloured | Indian or Asian | White | Other | Total |
|---------|---------------|----------|-----------------|-------|-------|-------|
| Ward 01 | 255           | 3868     | 33              | 1494  | 88    | 5738  |
| Ward 02 | 5545          | 1083     | 18              | 2136  | 92    | 8874  |
| Ward 03 | 534           | 7632     | 28              | 430   | 68    | 8692  |
| Ward 04 | 932           | 6612     | 22              | 52    | 239   | 7857  |
| Ward 05 | 198           | 4745     | 28              | 664   | 8     | 5643  |
| Ward 06 | 328           | 8645     | 23              | 750   | 51    | 9797  |
| Ward 07 | 751           | 6467     | 77              | 2280  | 95    | 9670  |
| Ward 08 | 849           | 6976     | 3               | 1838  | 48    | 9714  |
| Ward 09 | 321           | 6514     | 23              | 706   | 45    | 7609  |
| Ward 10 | 5128          | 451      | 7               | 4     | 8     | 5598  |
| Ward 11 | 341           | 4594     | 3               | 976   | 32    | 5946  |
| Ward 12 | 700           | 11121    | 47              | 653   | 65    | 12586 |
| Total   | 15882         | 68708    | 312             | 11983 | 839   | 97724 |
| %       | 16            | 70       | 1               | 12    | 1     | 100   |

### 1.3.2.6. Gender Ratio

There were more females than males across all wards except ward 08 in 2011. Ward 5 and ward 12 had almost the same proportion of males and females in 2001 and 2011 respectively.

**Graph D: Gender Ratio of Langeberg Municipality – Census 2011**



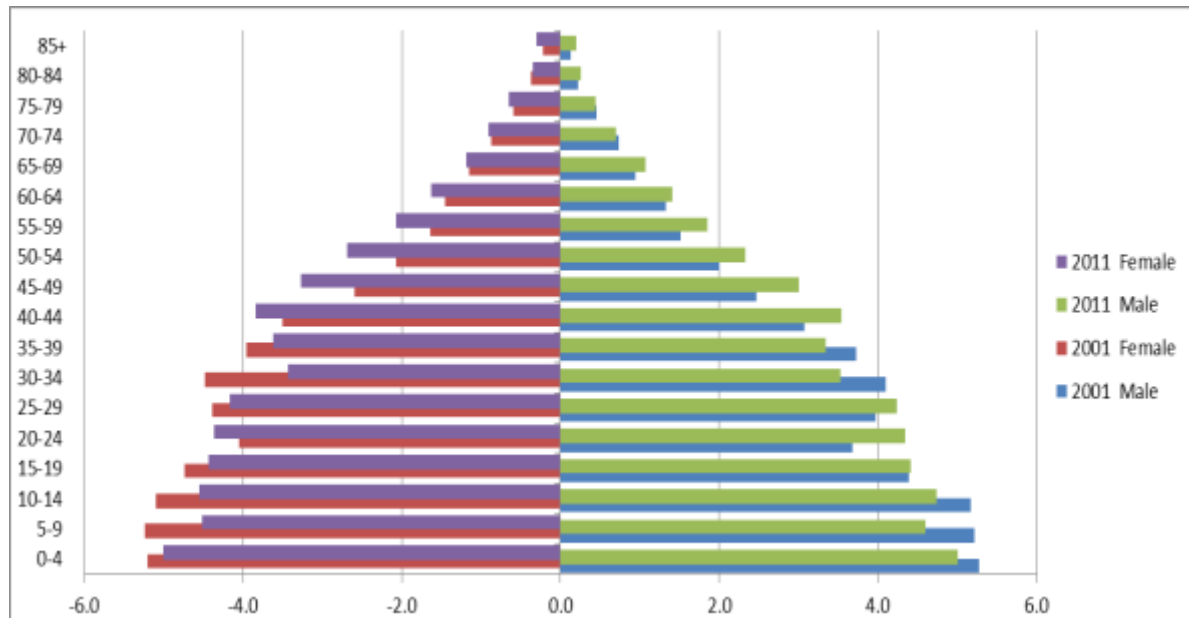
**Table 8: Gender Ratio of Langeberg Municipality – Census 2011**

|         | Male | Female | Sex ratio |
|---------|------|--------|-----------|
| Ward 01 | 2733 | 3005   | 91        |
| Ward 02 | 4303 | 4570   | 94        |
| Ward 03 | 4304 | 4389   | 98        |
| Ward 04 | 3878 | 3979   | 97        |
| Ward 05 | 2758 | 2886   | 96        |
| Ward 06 | 4778 | 5019   | 95        |
| Ward 07 | 4627 | 5043   | 92        |
| Ward 08 | 4952 | 4762   | 104       |
| Ward 09 | 3698 | 3911   | 95        |
| Ward 10 | 2659 | 2939   | 90        |
| Ward 11 | 2921 | 3025   | 97        |
| Ward 12 | 6280 | 6307   | 100       |

### 1.3.2.7. Age – Gender Structure

The pyramid indicates that the majority of the population is below the age of 45 years. There has been a decrease in the number of persons between the ages 0 – 14 years in 2001 and 2011, while the number of persons between ages 40 – 60 years increased.

**Graph E: Distribution of the age and gender in Langeberg Municipality – Census 2001 and 2011**



**Table 9: Distribution of the age and gender in Langeberg municipality – census 2011**

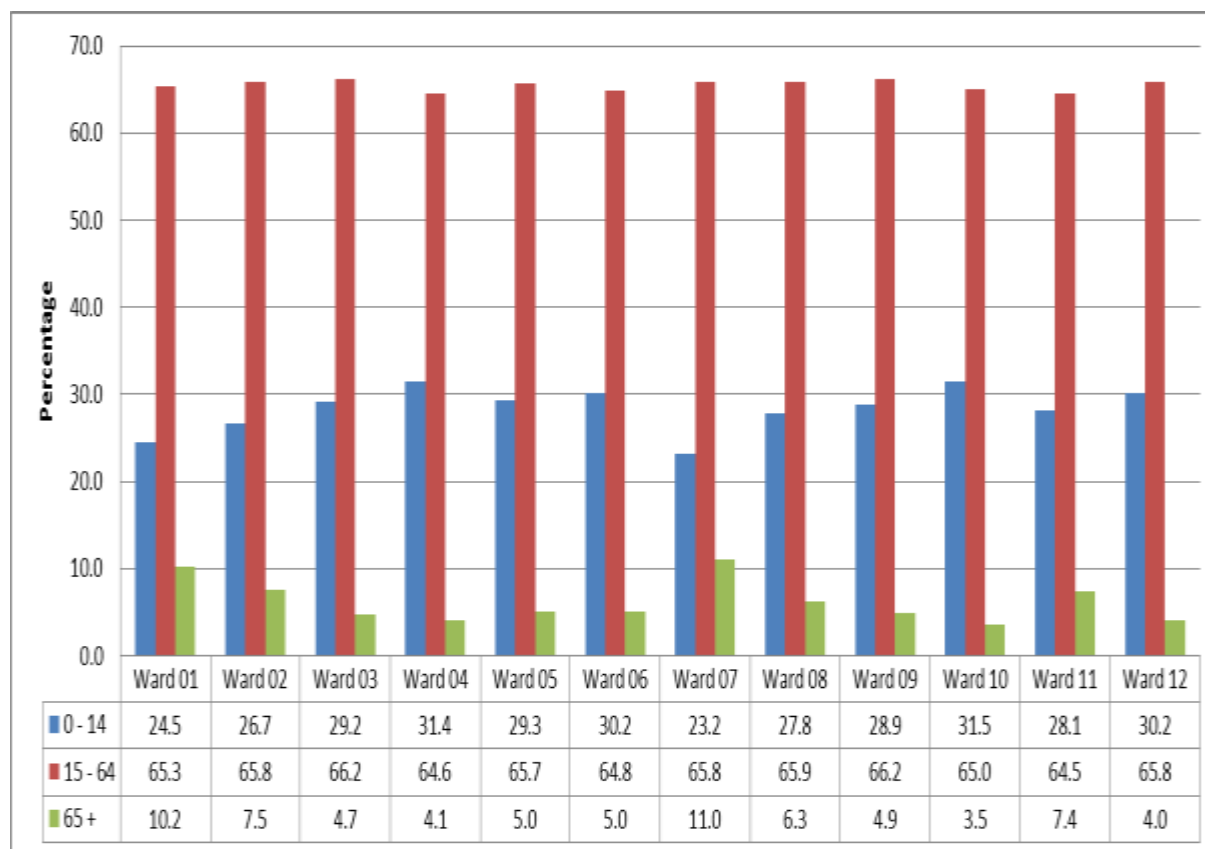
| Age          | Male         | Female       | Total        |
|--------------|--------------|--------------|--------------|
| 0 - 4        | 4894         | 4893         | 9787         |
| 5 - 9        | 4489         | 4412         | 8901         |
| 10 - 14      | 4627         | 4444         | 9071         |
| 15 - 19      | 4309         | 4335         | 8644         |
| 20 - 24      | 4241         | 4262         | 8503         |
| 25 - 29      | 4138         | 4066         | 8205         |
| 30 - 34      | 3445         | 3357         | 6802         |
| 35 - 39      | 3271         | 3534         | 6804         |
| 40 - 44      | 3463         | 3758         | 7222         |
| 45 - 49      | 2941         | 3201         | 6142         |
| 50 - 54      | 2271         | 2631         | 4902         |
| 55 - 59      | 1808         | 2024         | 3832         |
| 60 - 64      | 1376         | 1595         | 2971         |
| 65 - 69      | 1045         | 1159         | 2203         |
| 70 - 74      | 689          | 881          | 1570         |
| 75 - 79      | 434          | 641          | 1076         |
| 80 - 84      | 249          | 345          | 594          |
| 85 +         | 199          | 295          | 494          |
| <b>Total</b> | <b>47891</b> | <b>49834</b> | <b>97724</b> |



### 1.3.2.8. Functional Age Group

Majority of the population is made up of the functional age group 15-64 across all wards in Langeberg Municipality. Of note is the 3.5% proportion of functional age group 65+ in ward 10.

**Graph F: Distribution of the population by functional age group in Langeberg municipal wards**



**Table 10: Distribution of the population by functional age group in Langeberg municipal wards.**

|         | Functional group |         |      |
|---------|------------------|---------|------|
|         | 0 - 14           | 15 - 64 | 65 + |
| Ward 01 | 1405             | 3745    | 588  |
| Ward 02 | 2370             | 5840    | 663  |
| Ward 03 | 2536             | 5751    | 405  |
| Ward 04 | 2465             | 5072    | 320  |
| Ward 05 | 1655             | 3709    | 281  |
| Ward 06 | 2956             | 6352    | 489  |
| Ward 07 | 2243             | 6362    | 1065 |
| Ward 08 | 2697             | 6403    | 614  |
| Ward 09 | 2196             | 5037    | 375  |
| Ward 10 | 1765             | 3639    | 194  |
| Ward 11 | 1674             | 3833    | 440  |
| Ward 12 | 3798             | 8285    | 503  |

### 1.3.2.9. Dependency Ratios in Langeberg Municipality

Graph G: Dependency Ratio in Langeberg municipal wards- Census 2011

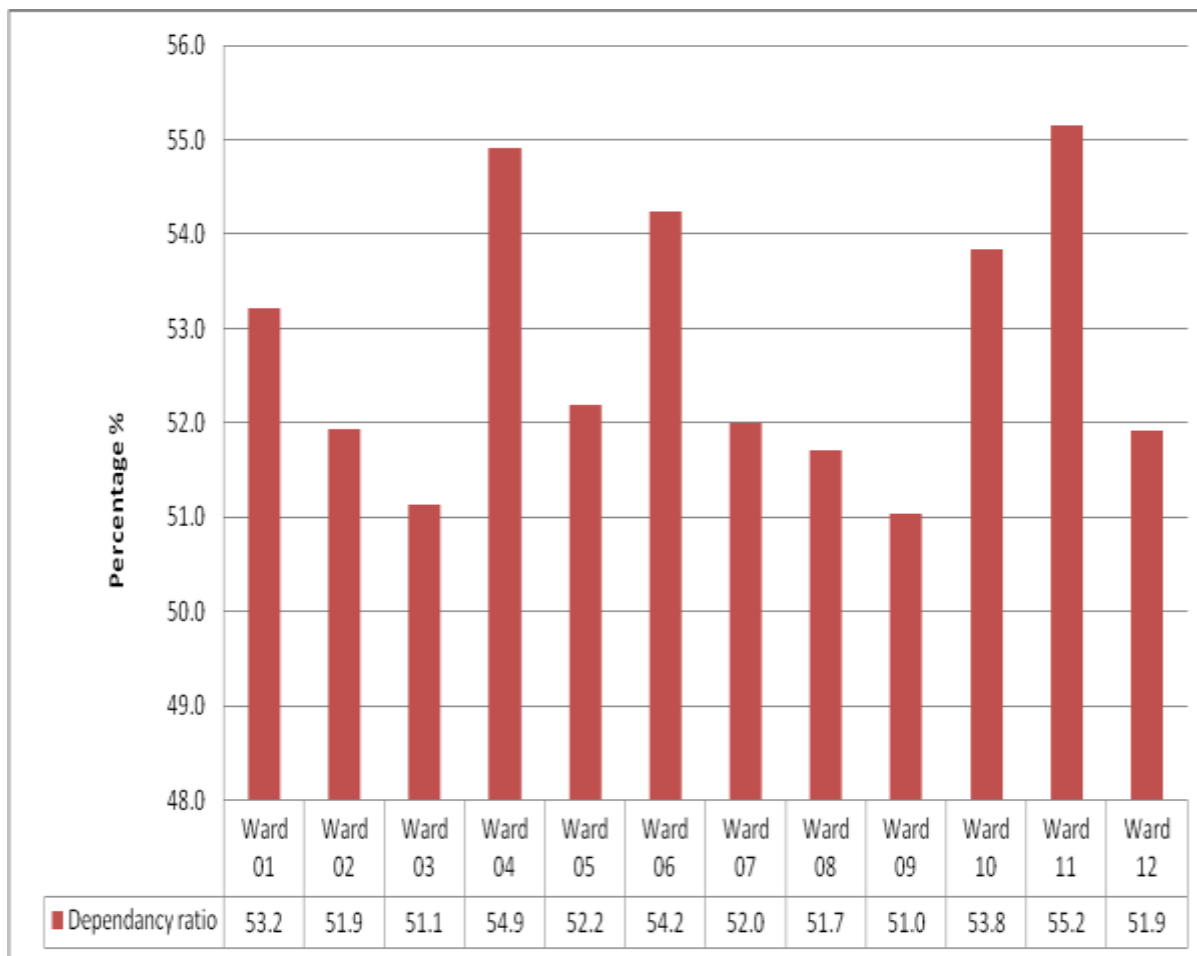


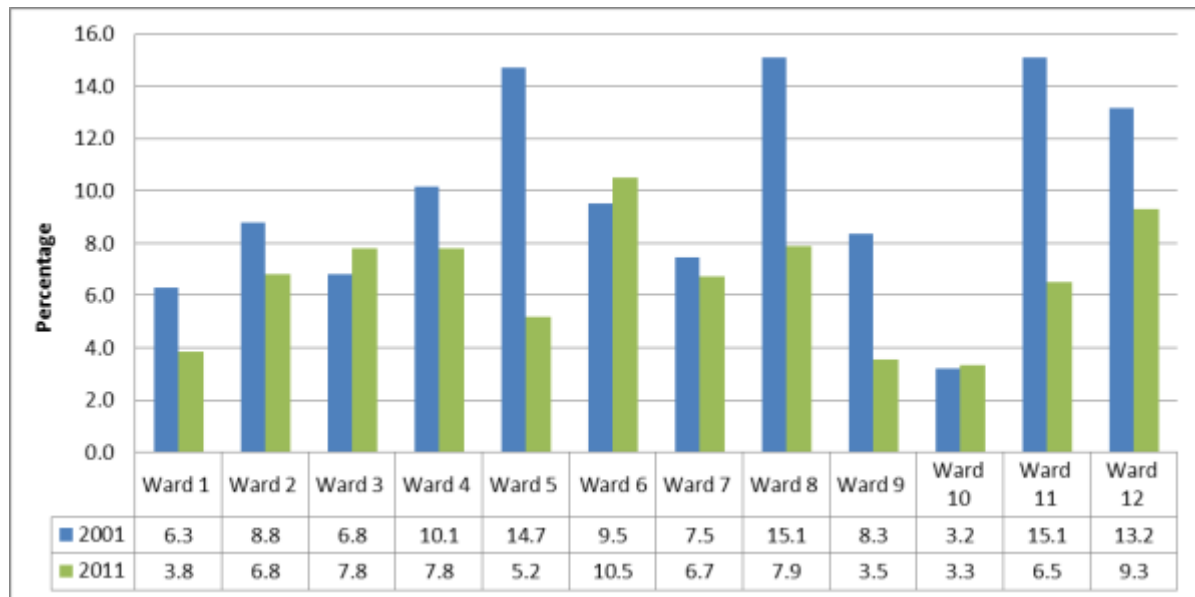
Table 11: Dependency Ratios in Langeberg Municipal Wards- Census 2011

|         | 0 - 14 | 15 - 64 | 65 + | Dependency Ratio |
|---------|--------|---------|------|------------------|
| Ward 01 | 1405   | 3745    | 588  | 53.2             |
| Ward 02 | 2370   | 5840    | 663  | 51.9             |
| Ward 03 | 2536   | 5751    | 405  | 51.1             |
| Ward 04 | 2465   | 5072    | 320  | 54.9             |
| Ward 05 | 1655   | 3709    | 281  | 52.2             |
| Ward 06 | 2956   | 6352    | 489  | 54.2             |
| Ward 07 | 2243   | 6362    | 1065 | 52.0             |
| Ward 08 | 2697   | 6403    | 614  | 51.7             |
| Ward 09 | 2196   | 5037    | 375  | 51.0             |
| Ward 10 | 1765   | 3639    | 194  | 53.8             |
| Ward 11 | 1674   | 3833    | 440  | 55.2             |
| Ward 12 | 3798   | 8285    | 503  | 51.9             |

### 1.3.2.10. School attendance

Ward 6 (10.5%) had more learners between the ages 7-16 years, out of school, followed by Ward 12 (9.3%).

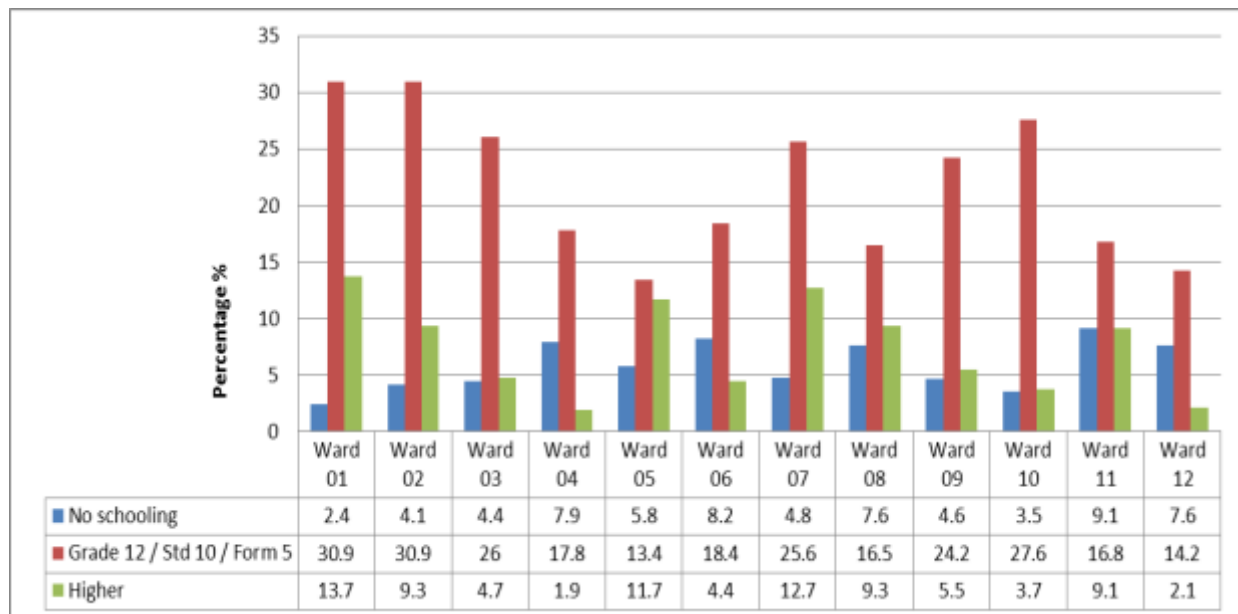
**Graph H: Distribution of the population aged 7-16 years not attending school in Langeberg municipal wards:**



### 1.3.2.11. Highest Level of Education Attained

A majority of people, aged 20 years and older, have Grade 12/ Std 10 / Form 5 as their highest level of education.

**Graph I: Distribution of the population aged 20 years and older by highest level of education in Langeberg municipal wards**



### 1.3.2.12. Labour Profile

#### i) Unemployment Rate in Langeberg Wards per Official Definition

Statistics South Africa defines unemployment as those people aged between 15-65:

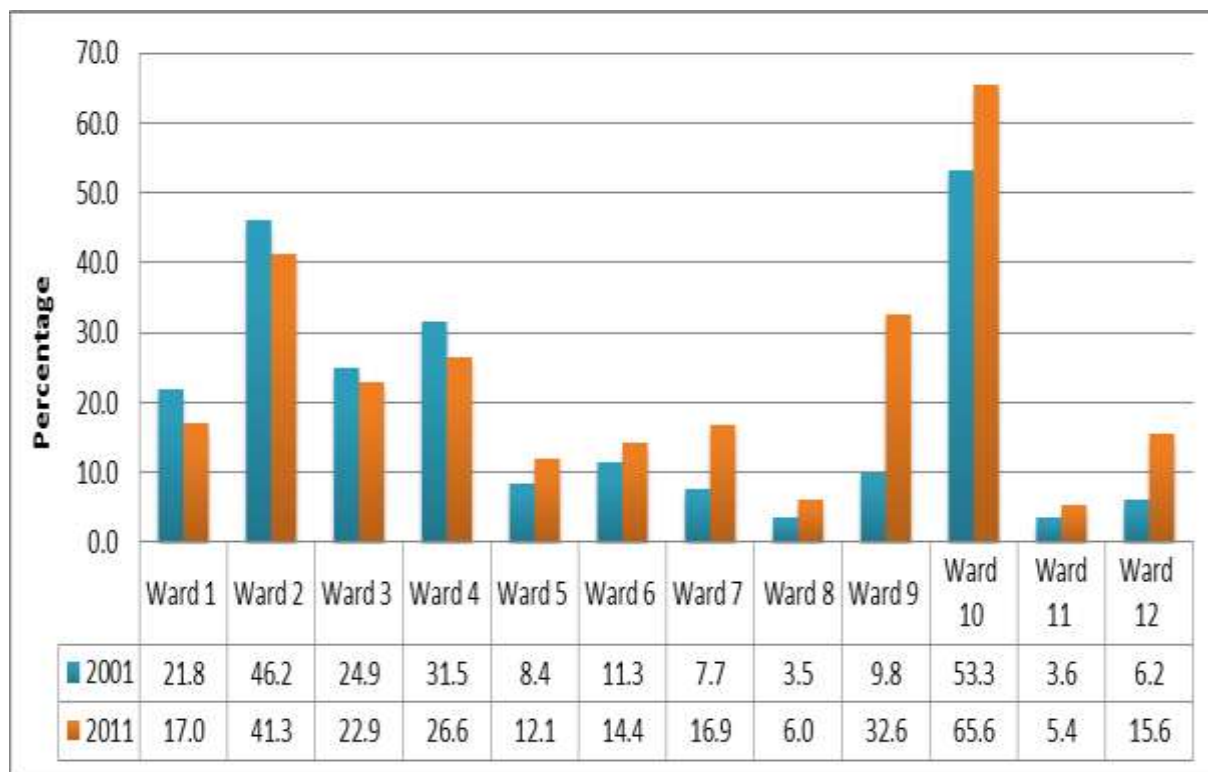
- Who did not work during the 7 days prior to 10 October (when the census commenced);
- Who want to work and are available to start work within a week of the interview; and
- Who have taken active steps to look for work or to start some form of self-employment in the 7 days prior to commencement of the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

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, tabled below, are higher than that provided in these statistics.

According to Statistics South Africa, the official unemployment figure for the Langeberg area is estimated at 5%. It should be noted, however, that the “Other not economically active” participants amounts to an overwhelming 24%. In terms of youth unemployment, 15.1% of persons aged between 15-34 years within the Langeberg area are unemployed. In the Langeberg area, many people are only employed seasonally. Employment data can thus be misleading, depending on what time of year the census was conducted.

The unemployment rate remains relatively low in most of all wards. Ward 10 recorded a high unemployment rate of 53.3% in 2001 and 65.6% in 2011. Ward 2 recorded the second highest unemployment rate.

#### ii) Graph J: Unemployment rate in Langeberg municipal wards



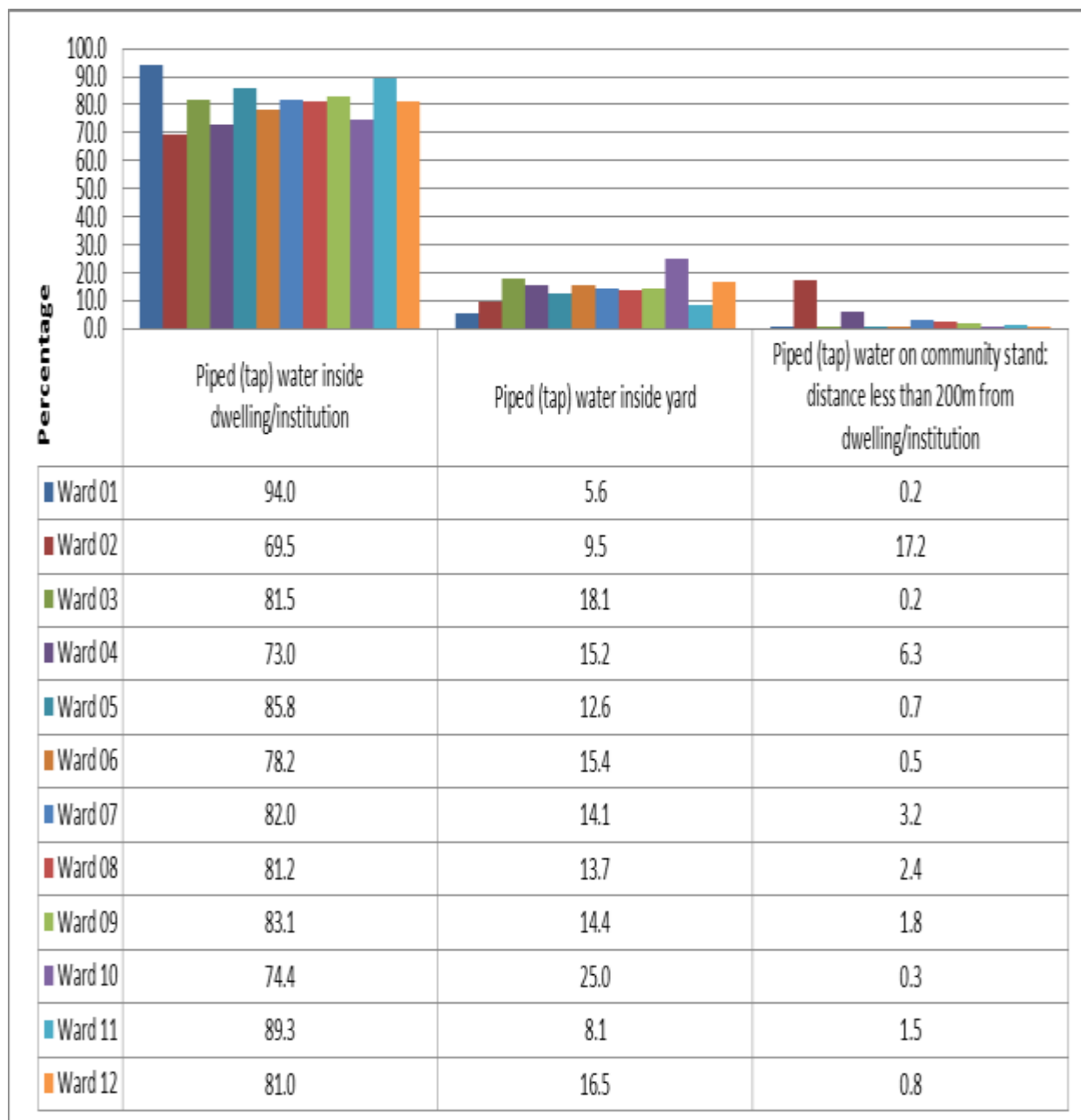
### 1.3.2.13. Access to Basic Services

#### i) 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 from dams, rivers, tankers, etc. Interventions to aid water security include new and/or upgrades to water purification plants in Montagu and Ashton as well as other developments to supplement the water demand. The municipality spent 100% of its capital budget earmarked for water and sanitation infrastructure in 2013/2014.

#### ii) Access to Piped Water

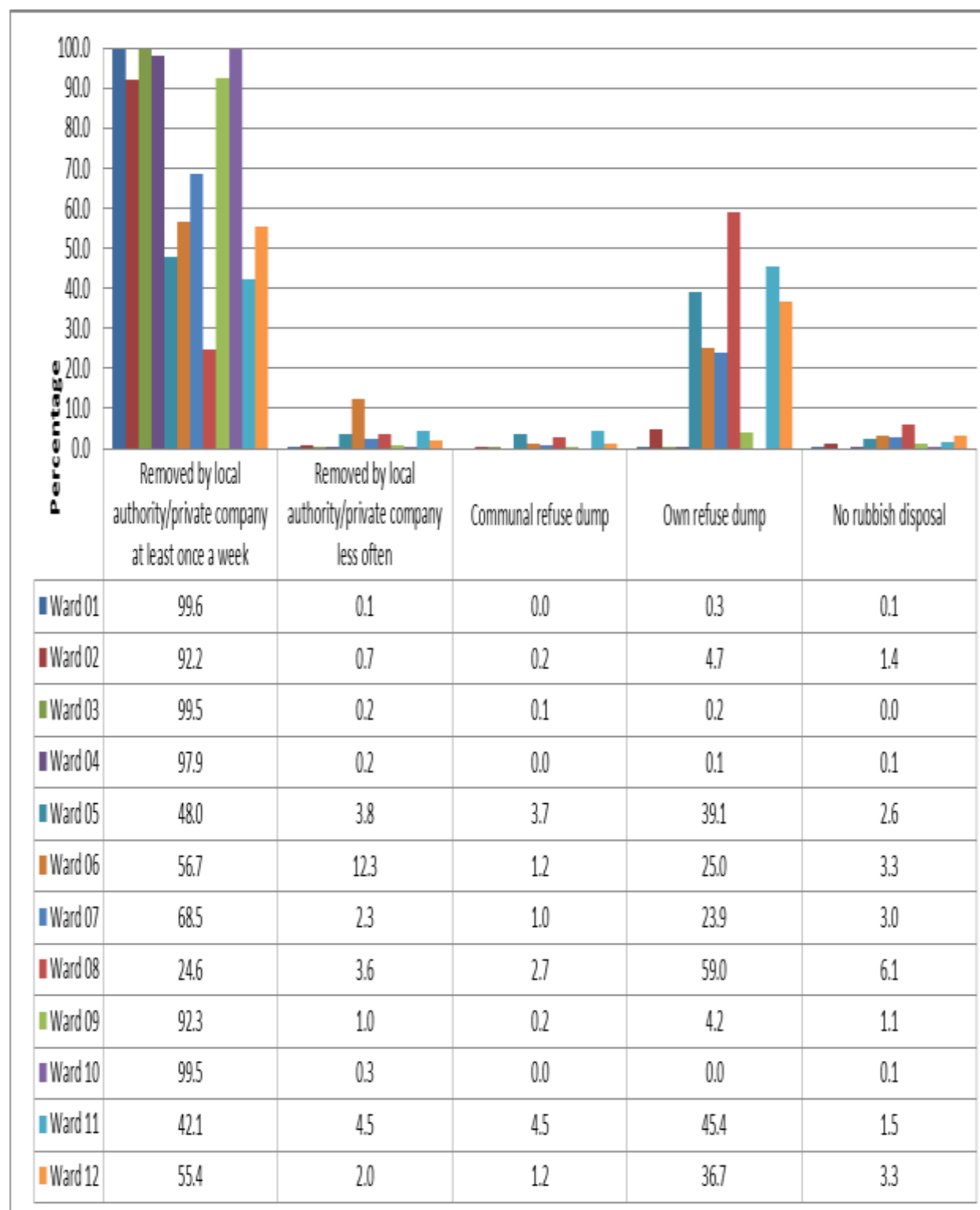
**Graph K: Percentage of households having access to piped water in Langeberg municipal wards**



### iii) 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.

**Graph L: Distribution of households by type of refuse removal in Langeberg municipal wards:**

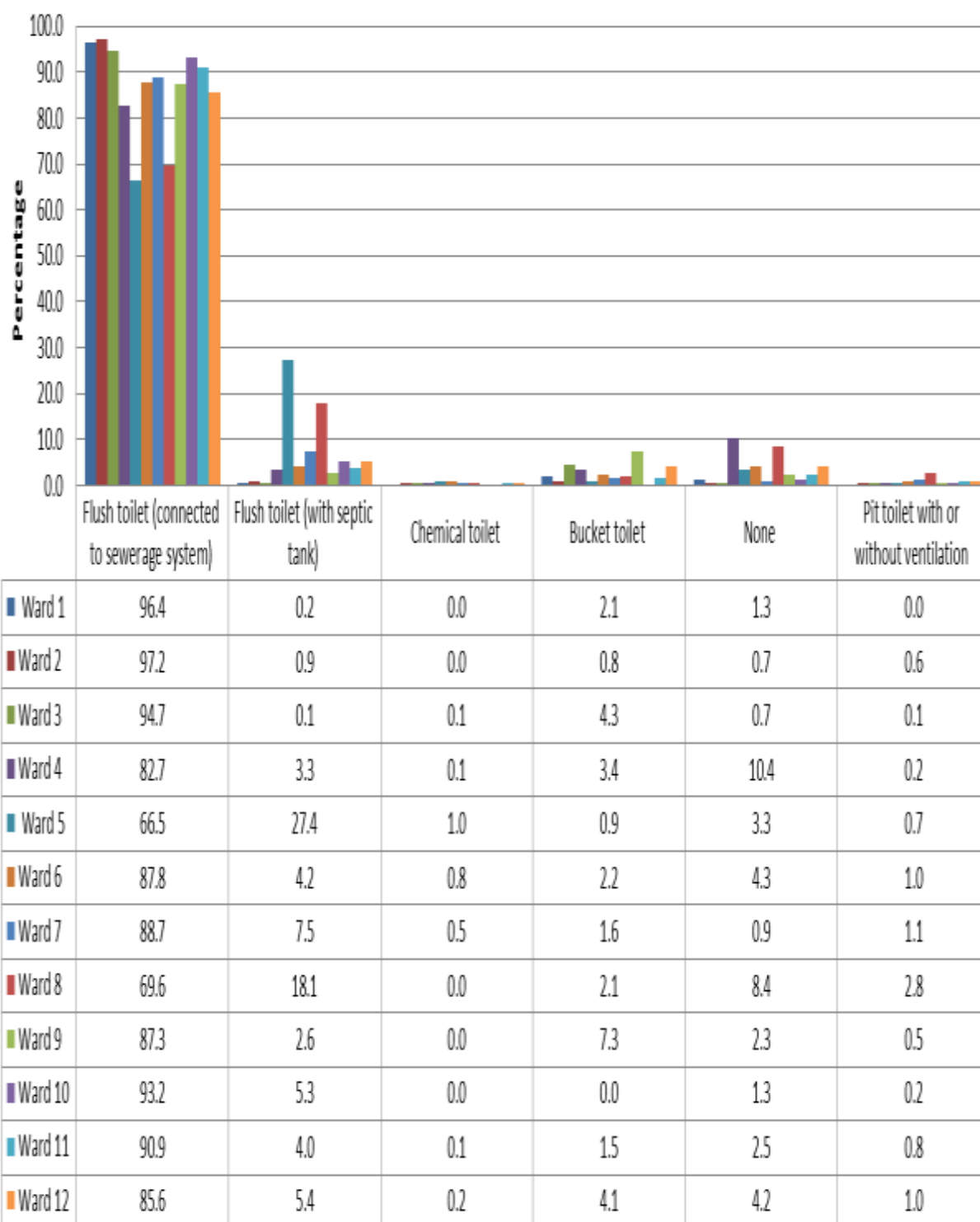




#### iv) Toilet Facilities

83% of households make use of a flush toilet that is connected to a sewerage system, while 3% make use of bucket toilets.

**Graph M: Distribution of households by type of toilet facility in Langeberg municipal wards**

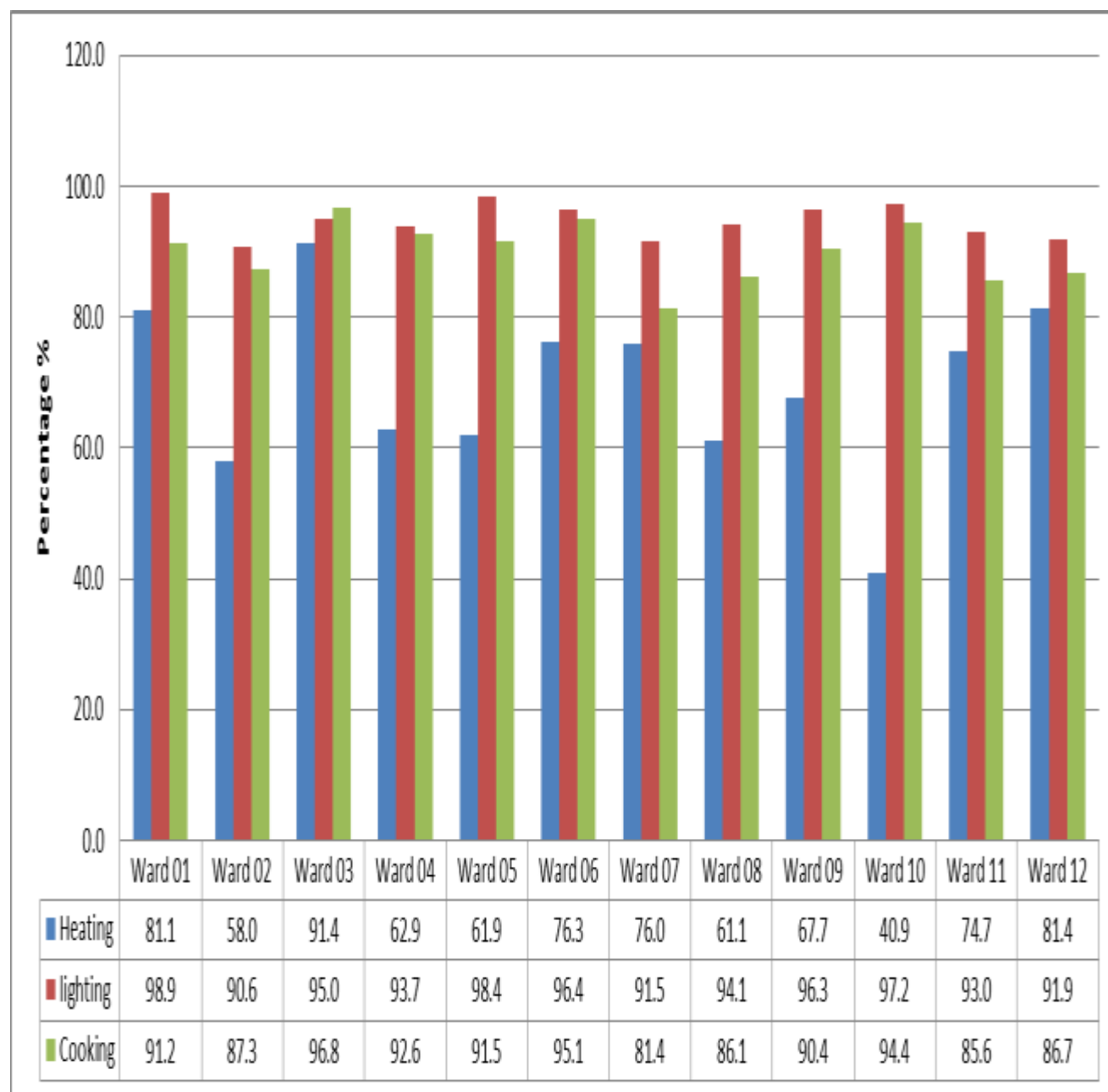


## v) Energy

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 within the municipal area, by focussing on the increase of capacity, upgrading of networks and replacement of out-dated electricity lines, to reduce electricity loss.

The majority of household mostly use electricity for lighting, followed by cooking and then heating.

**Graph N: Distribution of households using electricity for lighting, cooking and heating in Langeberg municipal wards**



### **1.3.3. Performance Highlights of Langeberg Municipality**

#### **1.3.3.1. Performance Successes**

- 1.3.3.1.1.** A hundred percent capital spending on water and sanitation infrastructure contributed greatly to the municipality's progress in limiting unaccounted water losses. Whilst the performance target for the year was set at 18 %, actual unaccounted water losses were limited to 14.61% in 2013/2014. Success in the limiting of unaccounted electricity was equally achieved, by limiting losses to 6.39% against the set target of 7.5%.
- 1.3.3.1.2.** The municipality takes pride in achieving a second, clean audit in consecutive years. This opinion expressed by the Auditor General is highly valued. The quest to uphold this performance in future will be achieved only through continuous dedication, commitment, collaboration and the will of Council, management and staff.

#### **1.3.3.2. Performance Challenges**

##### **1.3.3.2.1. Housing**

The provision of low cost housing continues to be a major challenge for the municipality. If housing backlogs in the area are to be addressed meaningfully, the rate and quantity of housing developments must be increased by the Langeberg Municipality.

Our main challenges in this regard include:

- Availability of bulk services. In many instances bulk services are close to maximum capacity and need to be upgraded to facilitate future developments;
- Funding for the installation of bulk services; and
- The availability of municipal land. The municipality has to buy land for the provision of future housing developments.

##### **1.3.3.2.2. Roads**

The tarring of gravel roads in the area poses a persistent challenge for the following reasons:

- The Langeberg Municipality inherited huge backlogs in this regard, especially in historically disadvantaged area.
- Road maintenance is costly.
- The municipality's constraining budget hardly provides for the delivery of basic services and its related maintenance.

The challenge of addressing the massive service delivery backlogs in this country unfortunately does not have a quick solution. Langeberg Municipality is no exception in this regard. Smaller municipalities, like Langeberg, mostly struggle due to a small tax base. High unemployment, low employment opportunities and all the social problems that directly flow from it, contribute to the negative pull of the poverty spiral. However challenging our local reality may be, we will persist in our commitment to manage and balance our spending responsibly and to deliver services in the most effective and efficient manner possible.



# CHAPTER 2



## Governance

The purpose of this Annual Report is to promote accountability to communities and to highlight those decisions taken by the Council and matters relating to administrative structures, throughout the 2013/2014 financial year.

To ensure good governance, nine major characteristics should be applied within the political and administrative structures of the municipality, namely participation, rule of law, transparency, responsiveness, consensus, equity/inclusiveness, effectiveness/efficiency, accountability and sustainability. This section seeks to report on how Langeberg Municipality met these requirements with regard to handling its governance structures, intergovernmental relations, community participation and organisational management.

### A. Political and Administrative Governance Structures

#### Sustainability

*Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources*

#### Productivity

The municipality's political and administrative governance structures remained productive throughout the 2013/2014 financial year and complied well with legislative requirements. The following meetings were held:

**Table 12: Council, Mayco and Portfolio Committee Meetings held and attended in 2013/2014**

| Meetings                           | 2011/12 | % Attendance | 2012/13 | % Attendance | 2013/14 | % Attendance |
|------------------------------------|---------|--------------|---------|--------------|---------|--------------|
| Portfolio Committee Meetings       | 40      | 71%          | 37      | 96%          | 41      | 87%          |
| Mayoral Committee Meetings         | 12      | 96%          | 8       | 93%          | 6       | 94%          |
| Special Mayoral Committee Meetings | 0       | ---          | 3       | 100%         | 4       | 92%          |
| Council Meetings                   | 11      | 92%          | 7       | 88%          | 10      | 91%          |
| Special Council Meetings           | 4       | 90%          | 6       | 99%          | 3       | 73%          |

**Table 13: Ward Committee Meetings held in 2013/2014**

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

**Table 14: Audit Committee Meetings and Attendance**

| Audit Committee Members    | Number of Meetings:<br>2012/13 | Committee Member Attendance | Number of Meetings:<br>2013/14 | Committee Member Attendance |
|----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Mr JJ Mostert Chairperson: | 5                              | 5                           | 5                              | 5                           |
| Mr A. Amod                 | 5                              | 4                           | 5                              | 3                           |
| Mr K Pretorius*            | 5                              | 2                           | 5                              | 4                           |
| Mr W van Deventer*         | 5                              | 1                           | 5                              | 5                           |

*\*Both Mr. K Pretorius and Mr. W Van Deventer were appointed as members of Audit Committee on 1 March 2013 as per Council Resolution A 2808.*

### **Municipal Public Accounts Committee**

The MPAC met on the following dates:

- 6 August 2013
- 23 September 2013
- 6 November 2013
- 28 January 2014
- 18 February 2014
- 26 March 2014
- 16 April 2014
- 20 May 2014

### **Accountability, Transparency and Rule of Law**

*Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law. Transparency means that stakeholders are provided with information on decisions taken that directly affect them. Rule of law means that legal frameworks are enforced impartially.*

The municipality's political and administrative governance structures are held accountable through various measures all of which are adhered to by the Langeberg Municipality.



**Table 15: Governance Structures and Accountability Measures**

| Governance Structure  | Measure of Accountability  |
|---|--|
| Council   | Council meetings are open to the public, scheduled and advertised by public notification. Approved minutes are available on request.<br>All Council proceedings are ruled by the <i>Council Rules of Order</i> . Councillor conduct is ruled by the <i>Code of Conduct for Councillors</i> .   |
| Mayoral Committee   | Mayco Meetings are scheduled and minutes are kept<br>Mayco reports to Council  |
| Ward Committees   | Ward Councillors have a duty to provide feedback to Ward Committees and to Council. Meetings are scheduled and minutes are kept.   |
| Portfolio Committees  | Responsible for oversight over administrative departments and report to Council monthly. Meetings are scheduled and minutes kept.  |
| Municipal Public Accounts Committee (MPAC)  | The MPAC serves as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness. An Oversight Report is tabled to Council  |
| The municipality reports its annual performance and financial statements to the Auditor General   | The Auditor General delivers an AG Report and expresses an audit opinion   |
| The municipality reports its financial status and performance to its communities annually   | The approved Annual Report is made available to the public   |
| Municipal structures, employees, operations, procedures and processes are ruled by legislation  | Policies, Bylaws, Legislation, Regulations and Codes are available   |
| Worker Representative Unions represent employees on organisational structures and observe the legality of labour practices procedures and processes | Representation on recruitment and selection panels: Interviews are recorded<br>Representation on Labour Forum: Minutes are recorded<br>Representation on Occupational Health and Safety Committee: Minutes are recorded  |
| Internal Auditing ensures the management of risk exposure and monitors adherence to legislation   | The unit identifies municipal risk and generates a Municipal Risk Register<br>Internal Auditing reports are generated and tabled to Council  |
| The Audit Committee is responsible for the oversight of internal controls, financial reporting and compliance with regulatory matters.              | Audit Committee approves the Internal Audit Plan and reports to Council  |
| Community participation in the development of Policies and Strategies   | Participative processes are scheduled  |
| IDP and Budgeting Participation   | Participative processes are ensured with a Council approved Process Plan   |
| Performance Management Committee  | An evaluation panel, established in terms of Section 6.6 of the Performance Agreement, evaluates the performance of employees. Performance Agreements are signed on acceptance.  |
| Organisational and Service Delivery Performance reporting to Council  | Quarterly Performance Reports on the SDBIP are tabled to Council   |
| Municipal Website promotes transparency   | 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 5460 unique visitors browsed the municipal website on a monthly basis during the 2013/2014 year in comparison to 5000 for the previous year. |

## Effectiveness and Efficiency

*Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal. In this instance, those governance structures and processes that ensure that the community needs are met, with the best use of resources*

**Table 16: Governance Structures and Measures of Effectiveness and Efficiency**

| Governance Structure  | Measure of Effectiveness and Efficiency   |
|---|---|
| Portfolio Committees monitors municipal service delivery and budget implementation    | Quarterly Reporting to Council on the SDBIP   |
| Mayoral Committee ensures the mid-term assessment of performance, spending and budget | Mid-Term Assessment Report tabled to Council<br>Adjustment Budget Tabled to Council if needed<br>Adjusted SDBIP tabled to Council if needed   |
| Audit Committee ensures oversight of internal auditing and risk management processes  | Internal Audit Plan<br>Internal Audit Reports tabled to Council<br>Risk Register<br>Number of fraud cases reported and losses recovered   |
| Performance Management Committee  | Performance Bonuses awarded<br>(The performance Management System is designed to reward superior performance. This linking increases overall organizational motivation and efficiency by focusing the executive management on the successful implementation of the IDP and Budget.) |

## Equity and Inclusiveness

*Society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.*

The political and administrative governance structures of Langeberg Municipality reflect equitable representation of the area's population structure. Different Political Parties are well-represented in Council.

## Consensus orientated

*Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.*

Consensus on what is in the best interest of the whole community and how it can be achieved is a process that unfolds through the municipality's scheduled, consultative IDP, Budgeting and Ward Based Planning processes.

## Responsiveness

*Responsiveness means that institutions and processes try to serve all stakeholders within a responsible timeframe.*

The governance structures of Langeberg Municipality mainly adheres to set Council schedules, process plans approved by Council and reporting cycles determined by Provincial and National Government spheres. This is monitored through administrative compliance monitoring and oversight by the Audit Committee.

## Participation

*Participation can be direct and/or through legitimate intermediate institution or representatives.*

Community participation in the governance structures of the Langeberg Municipality is mainly achieved through the Ward Committees System and consultative meetings with the community and sectors in the scheduled IDP process.

Community Participation in the development of Policies and Strategies has otherwise been achieved through scheduled consultation sessions and/or workshops and/or through website uploads for community review and comments.

**Table 17: Website Uploads For Community Review and Comments**

| WEBSITE UPLOADS FOR COMMUNITY REVIEW AND COMMENTS  |                                  |
|--|----------------------------------|
| Community engagements on Liquor Act  | 01 July 2013                     |
| Langeberg to review Housing Plans<br>Langeberg Spatial Development Framework and Human Settlement Plan Review:<br>Invitation to Issues and Vision Workshop | 16 July 2013                     |
| Draft Tree Management Policy   | 17 September 2013                |
| Inspection of 4th Supplementary Valuation Roll   | 25 October 2013                  |
| Draft Conceptual Development Framework   | 03 December 2013                 |
| Tabling of Draft Annual Report 2012/2013   | 13 December 2013                 |
| Municipal Budget, Integrated Development Plan, Policies and determination of<br>tariffs for the financial year: 01 July 2014 to 30 June 2015               | 31 March 2014                    |
| IDP open for comment   | 10 April 2014                    |
| Proposed adoption of By-Laws   | 03 June 2014 and<br>10 June 2014 |
| Langeberg Municipality Housing Selection Policy  | 24 June 2014                     |
| Draft SDF Open for comments  | 19 July 2014                     |

## B. Intergovernmental Relations

Engagements attended by the Langeberg Municipal staff and Management - upholding good inter-governmental relations for the purpose of good governance, government - collaborated strategic direction, aligned planning, reporting, legislative compliance, accountability and Langeberg's participation in government programmes and roll-outs to benefit development of our Administration, local area and communities:

**Table 18: IGR Engagements by Langeberg Municipality**

| IGR ENGAGEMENTS FOR THE OFFICE OF MUNICIPAL MANAGER |  |                     |                     |
|---|--|---------------------|---------------------|
| MEETING   | ATTENDED BY<br>LANGEBERG<br>MUNICIPALITY | HOSTED IN           | DATE                |
| Western Cape Municipal Manager Forum                | MM                                       | Buffalo City, EL    | 17,18 February 2013 |
|   |  | Worcester (Special) | 22 May 2013         |
|   |  | Somerset West       | 18 November 2013    |
|   |  | Beaufort West       | 23 June 2014        |
| PCF Meetings  | MM                                       | Worcester           | 17 September 2013   |
|   |  | Riebeeck Kasteel    | 6 March 2014        |
| MinMay Tech Meetings                                | MM                                       | Worcester           | 16 September 2013   |
| MinMay Meetings                                     | MM                                       | Somerset West       | 19 November 2013    |
| DCF Meetings  | MM                                       | Worcester           | 2 December 2013     |

| IGR ENGAGEMENTS FOR THE LANGEBERG ENGINEERING SERVICES DEPARTMENT                               |  |            |               |
|---|--|------------|---------------|
| MEETING   | ATTENDED BY<br>LANGEBERG<br>MUNICIPALITY | HOSTED IN  | DATE          |
| Landfill Interest Group Workshop:<br>Dept Environmental Affairs                                 | Director: Engineering Services           | Bellville  | 25 July 2013  |
| Meeting on Housing Policy:<br>Dept Human Settlements  | Director: Engineering Services           |            | 07 March 2014 |
| Development Contribution Workshop on<br>Provincial Guidelines:<br>Dept of Environmental Affairs | Director: Engineering Services           | Swellendam | 12 March 2014 |
| District Forum Meeting  | Director: Engineering Services           | Worcester  | 18 June 2014  |
| Meeting on CRU Housing:<br>Dept of Human Settlements  | Director: Engineering Services           | Cape Town  | 20 June 2014  |

| IGR ENGAGEMENTS FOR THE LANGEBERG DEPARTMENT: STRATEGY AND SOCIAL DEVELOPMENT |  |                 |                      |
|---|--|-----------------|----------------------|
| MEETING   | ATTENDED BY<br>LANGEBERG<br>MUNICIPALITY | HOSTED IN       | DATE                 |
| Winelands District Forum Meetings   | IDP Coordinator                          | Stellenbosch    | 26 July 2013         |
|   |  | Stellenbosch    | 15 November 2013     |
|   |  | Worcester       | 7 February 2014      |
|   |  | Stellenbosch    | 8 May 2014           |
| Provincial IDP Managers Forum Cape  | IDP Coordinator                          | Ottery          | 6 & 7 June 2013      |
|   |  | Worcester.      | 12,13 September 2013 |
|   |  | Plettenberg Bay | 5,6 December 2013    |
|   |  | Laingsburg      | 6,7 March 2014       |
|   |  | Durbanville     | 5&6 June 2014        |
| PDO Forum   | PMO                                      | Stellenbosch    | 23 June 2014         |

## C Public Accountability and Community Participation

### Sustainability

*Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources*

Ward Committees as a governance structure promotes public accountability and strengthens community participation. The Ward Committee System is fully institutionalised and capacitated within the Langeberg Municipality.

**Table 19: Ward Committees and Chairperson in 2013/2014**

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

### Accountability

*Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.*

## Community Participation in the Development of Legal Frameworks and Directives

The table below indicates the dates on which Langeberg Municipality consulted with the community in the development of Municipal directives and documents in 2013/2014, as advertised on the municipal website.

**Table 20: Website Uploads for Community Review and Comments**

| WEBSITE UPLOADS FOR COMMUNITY REVIEW AND COMMENTS  |                   |
|--|-------------------|
| MUNICIPAL DIRECTIVE & ACTION   | DATE              |
| Community engagements on Liquor Act  | 01 July 2013      |
| Langeberg to review Housing Plans<br>Langeberg Spatial Development Framework and Human Settlement Plan Review:<br>Invitation to issues and vision workshop | 16 July 2013      |
| Draft Tree Management Policy   | 17 September 2013 |
| Inspection of 4th supplementary valuation roll   | 25 October 2013   |
| Draft Conceptual Spatial Development Framework   | 03 December 2013  |
| Tabling of Draft Annual Report 2012/2013   | 13 December 2013  |
| Municipal Budget, Integrated Development Plan, Policies and determination of tariffs for the financial year: 01 July 2014 to 30 June 2015                  | 31 March 2014     |
| IDP open for comment   | 10 April 2014     |
| Proposed adoption of By-Laws   | 03 & 10 June 2014 |
| Langeberg Municipality Housing Selection Policy  | 24 June 2014      |
| Draft SDF Open for comments  | 19 July 2014      |

## Effectiveness and Efficiency

*Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.*

**Table 21: Ward Based Planning Sessions**

| Ward | Date             | Venue                       |
|------|------------------|-----------------------------|
| 1    | 2 November 2013  | Callie De Wet               |
| 2    | 2 November 2013  | Callie De Wet               |
| 3    | 2 November 2013  | Callie De Wet               |
| 4    | 18 November 2013 | Chris Van Zyl Hall          |
| 5    | 6 November 2013  | McGregor Community Hall     |
| 6    | 2 November 2013  | Callie De Wet               |
| 7    | 26 November 2013 | NG Church Hall              |
| 8    | 18 November 2013 | Chris Van Zyl Hall          |
| 9    | 20 November 2013 | Ashton Town Hall            |
| 10   | 20 November 2013 | Zolani Community Hall       |
| 11   | 20 November 2013 | Ashton Town Hall            |
| 12   | 12 November 2013 | Kabouterland Community Hall |

## **Equity and Inclusiveness**

*Society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.*

**Table 22: Ward Committee - Outreach Programmes in 2013/2014**

| <b><u>Ward</u></b> | <b><u>Date</u></b>   | <b><u>Programmes</u></b>  |
|--------------------|--|---|
| <b>1</b>           | 25 and 26 September 2013   | <b>Cleaning of Ward Programme</b>   |
|                    | 14 and 16 October 2013<br>24 October 2013<br>29 October 2013<br>31 March - 4 April 2014<br>15 April 2014<br>16 June 2014                             | <b>Thusong Mobile</b><br><b>Flower Decoration –Women in ward</b><br><b>Flowers to the Aged</b><br><b>School Holiday Project</b><br><b>Budget Information Session</b><br><b>Youth Day –Drug Awareness Programme</b>                                      |
| <b>2</b>           | 31 October 2012<br>14 and 16 October 2013<br>15 April 2014   | <b>Nkqubela Community Centre:</b><br><b>Thusong Mobile</b><br><b>Budget Information Session</b>   |
| <b>3</b>           | 25 and 26 September 2013<br>14 and 16 October 2013<br>24 October 2013<br>29 October 2013<br>31 March - 4 April 2014<br>15 April 2014<br>16 June 2014 | <b>Cleaning of Ward Programme</b><br><b>Thusong Mobile</b><br><b>Flower Decoration –Women in ward</b><br><b>Flowers to the Aged</b><br><b>School Holiday Project</b><br><b>Budget Information Session</b><br><b>Youth Day –Drug Awareness Programme</b> |
| <b>4</b>           | 14 April 2014  | <b>Budget Information Session</b>   |
| <b>5</b>           | 22 October 2013<br>15 April 2014<br>26 June 2014   | <b>Uitnood Hall:</b><br><b>Budget information session</b><br><b>Thusong Outreach Programme</b>  |
| <b>6</b>           | 23 October 2013<br>15 April 2014   | <b>De Hoop:</b><br><b>Budget Information Session</b>  |
| <b>7</b>           | 14 April 2014  | <b>Budget Information Session</b>   |
| <b>8</b>           | 14 April 2014  | <b>Budget Information Session</b>   |
| <b>9</b>           | 31 March - 4 April 2014  | <b>School Holiday Project</b>   |
| <b>10</b>          | 14 April 2014  | <b>Budget Information Session</b>   |
| <b>11</b>          | 24 October 2013<br>31 March - 4 April 2014   | <b>Goudmyn:</b><br><b>School Holiday Project</b>  |
| <b>12</b>          | 14 April 2014  | <b>Budget Information Session</b>   |

### Consensus orientated

*Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.*

**Table 23: IDP Community Input Meetings in 2013/2014**

| Ward                   | Date            | Venue                                   | Time         |
|------------------------|-----------------|---|--------------|
| 1                      | 7 October 2013  | City Hall, Robertson                    | 19h00        |
| 2                      | 15 October 2013 | Nkqubela Community Centre               | 19h00        |
| 3                      | 14 October 2013 | Robertson Civic Centre                  | 19h00        |
| 4                      | 3 October 2013  | Happy Valley Community Hall, Bonnievale | 19h00        |
| 5                      | 9 October 2013  | McGregor Community Hall                 | 19h00        |
| 6                      | 10 October 2013 | Rooiberg Hall, McGregor                 | 19h00        |
| 7                      | 17 October 2013 | Willem Thys Hall, Montagu               | 19h00        |
| 8                      | 2 October 2013  | Chris Van Zyl Hall, Bonnievale          | 19h00        |
| 9                      | 8 October 2013  | Ashton Barnard Hall                     | 19h00        |
| 10                     | 21 October 2013 | Zolani Community Hall                   | 19h00        |
| 11                     | 16 October 2013 | Ashton Town Hall                        | 19h00        |
| 12                     | 22 October 2013 | Ashbury Community Centre, Montagu       | 19h00        |
| <b>Sector Meetings</b> |                 |   |              |
| Sector                 | Date            | Venue                                   | Time         |
| All                    | 23 October 2013 | Robertson Town Hall                     | 10:00 -13:00 |

### Transparency

*Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.*

**Table 24: Ward Committee – Community (Feedback) Meetings**

| Ward | Date           |               |            |           |
|------|----------------|---------------|------------|-----------|
|      | September 2013 | November 2013 | March 2014 | June 2014 |
| 1    | 10 September   | 28 November   | 11 March   |           |
| 2    | 17 September   |               | 27 March   |           |
| 3    |                | 20 November   | 19 March   |           |
| 4    | 26 September   |               | 13 March   | 19 June   |
| 5    |                | 6 November    | 4 March    |           |
| 6    | 5 September    | 6 November    | 24 March   |           |
| 7    |                | 5 November    | 10 March   |           |
| 8    | 19 September   |               | 17 March   | 23 June   |
| 9    | 12 September   | 14 November   | 13 March   |           |
| 10   |                |               | 12 March   |           |
| 11   | 17 September   | 20 November   | 18 March   |           |
| 12   | 2 September    | 18 November   | 3 March    |           |



## **Rule of Law**

*Rule of law means that legal frameworks are enforced impartially.*

The internal Audit Unit is responsible to ensure impartial enforcement of legal frameworks within the municipality.

The 2012/2013 Report of the Auditor General states, "I could not identify any instances of material non-compliance with specific matters in key applicable laws and regulations"

## D. Corporate Governance

### Sustainability

*Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources*

### Risk Management

The management of risk has been institutionalised within the Langeberg Municipality through:

- Filling of the post of Compliance Officer in the Office of the Municipal Manager, to assist with the management of Langeberg Municipality's risk exposure
- Directors and the Internal Audit Department identify risks and provide information for the compilation of a Risk Register and mitigation thereof.
- A Risk Management Policy has been developed and adopted by Council in 2013/2014

### Accountability

*Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.*

### Internal Audit and Audit Committee

Langeberg Municipality has a fully functional Internal Auditing Unit and Audit Committee instituted.

The Audit Committee is responsible for the oversight of:

- internal controls,
- financial reporting,
- compliance with regulatory matters and
- for approving the municipality's Internal Audit Plan.

During 2013/2014 the Audit Committee had (4) members and convened 5 meetings for the financial year.

### Anti-Corruption and Fraud

In terms of fraud preventative arrangements, the Langeberg Municipality has instituted:

- the promotion of an ethical culture
- provision of training to employees
- adoption of a policy on fraud and anti-Corruption
- provision of physical security for municipal buildings and
- procedures of employee vetting - executed before employees are appointed

The following arrangements are institutionalising the detection of fraud:

- Management takes steps against fraudulent actions.
- An Audit Committee approves the Internal Audit Plan.

## **Effectiveness and Efficiency**

*Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.*

## **Municipal Public Accounts (MPAC) Committee**

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

The MPAC Committee Members are:

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

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.

## **Equity and Inclusiveness**

*Society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.*

Langeberg Municipality has a fully functional Supply Chain Unit. The Langeberg Supplier Database has been updated in terms of supplier information in 2013/2014, as to minimize the risk of supplier duplication, as was highlighted by the 2012/2013 Auditor's Report.

## **Transparency**

*Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.*

## **Municipal 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 5460 unique visitors browsed the municipal website on a monthly basis during the 2013/2014 year in comparison to 5000 for the previous year.

## **Rule of Law**

*Rule of law means that legal frameworks are enforced impartially.*

The impartial enforcement of legal frameworks is ensured by Langeberg Municipality through the adoption and application of municipal policies and bylaws, of which the following have been adopted in 2013/2014:

**Table 25: Policies and Bylaws Adopted**

| POLICY  | COUNCIL RESOLUTION                          |
|---|---|
| <ul style="list-style-type: none"> <li>Langeberg Municipality Fraud Prevention Policy</li> </ul>  | <u>Resolution: A 3012 of 24/06/2014</u>     |
| <ul style="list-style-type: none"> <li>Langeberg Municipality Street Naming Policy</li> </ul>   | <u>Resolution: A2926 17/10/2013</u>         |
| <ul style="list-style-type: none"> <li>Langeberg Municipality Risk Management Policy</li> </ul>   | <u>Resolution: A3012 of 24/06//2014</u>     |
| BYLAWS ADOPTED  | COUNCIL RESOLUTION                          |
| <ul style="list-style-type: none"> <li>By-law on Waste Management for Langeberg Municipality (9/2/1/5) Regional Planner)</li> </ul>   | <u>Resolution: A 2894 of 29 August 2013</u> |
| <ul style="list-style-type: none"> <li>By-law on Promulgation of Water Services intermediary and provision of water and sanitation services to residents on privately owned land</li> </ul> | <u>Resolution: A2895 of 29 August 2013</u>  |

### Participation

*Participation can be direct and/or through legitimate intermediate institution or representatives.*



# CHAPTER 3



## Energy efficiency for sustainable future

| Ref       | National KPA                                 | KPI  | Unit of Measurement                           | Baseline              | Annual Target |        |    | Performance Comment           | Corrective Measures |
|-----------|--|--|---|-----------------------|---------------|--------|----|-------------------------------|---------------------|
|           |  |  |   |                       |               | Actual | R  |                               |                     |
| TL56      | Municipal Financial Viability and Management | Limit unaccounted electricity to 7.5%  | % of electricity unaccounted for              | New KPI for 2013/2014 | 7.50%         | 6.39%  | B  | 6.39% Unaccounted electricity |                     |
| *<br>TL96 | Basic Service Delivery                       | Provide 50kwh free basic electricity per indigent household per month in terms of the equitable share requirements | Number of HH receiving free basic electricity | 6000                  | 7,000         | 7,176  | G2 |                               |                     |

## Good governance

| Ref | National KPA                             | KPI   | Unit of Measurement   | Baseline               | Annual Target |        |   | Performance Comment | Corrective Measures |
|-----|--|---|---|------------------------|---------------|--------|---|---------------------|---------------------|
|     |  |   |   |                        |               | Actual | R |                     |                     |
| TL5 | Good Governance and Public Participation | Ensuring the formal evaluation of directors in terms of their signed agreements | No of formal evaluations completed                                    | 2                      | 2             | 2      | G |                     |                     |
| TL6 | Good Governance and Public Participation | Review of the system of delegations   | Submit report to Council for the adoption of the system of delegation | New KPI for 2013/14 FY | 1             | 1      | G |                     |                     |
| TL7 | Good Governance and Public Participation | Oversee the compilation of the IDP and the submission to Council for approval   | IDP submitted to Council  | 1                      | 1             | 1      | G |                     |                     |
| TL8 | Good Governance and Public Participation | Oversee the compilation of the annual budget to Council for approval            | Budget submitted to council for approval                              | 1                      | 1             | 1      | G |                     |                     |
| TL9 | Good Governance and Public Participation | Oversee the submission of monthly Sect 71 of the MFMA                           | No of Sect 71 reports submitted                                       | 12                     | 12            | 12     | G |                     |                     |

\* TL 96: The approved SDBIP for 2013/14 FY included both Top level and Departmental SDBIP. Reporting of TL 96 was done departmentally for Quarter 1 & 2. After the Mid-Year reporting, it was moved to the Top Level and reported in Quarter 3 & 4.

| Ref  | National KPA   | KPI  | Unit of Measurement  | Baseline               | Annual Target |        |    | Performance Comment | Corrective Measures |
|------|--|--|--|------------------------|---------------|--------|----|---------------------|---------------------|
|      |  |  |  |                        |               | Actual | R  |                     |                     |
| TL10 | Good Governance and Public Participation               | Oversee the submission of the Mid-Year Performance Report in terms of Sect 72 of the MFMA to Council                                       | Mid-Year report submitted to Council   | 1                      | 1             | 1      | G  |                     |                     |
| TL11 | Good Governance and Public Participation               | Oversee the submission of the Annual and Oversight Report to Council   | Annual report and Oversight Report submitted to Council                          | 1                      | 1             | 1      | G  |                     |                     |
| TL12 | Good Governance and Public Participation               | Submit the Top Layer SDBIP to the Mayor for approval to approve the KPI's and targets to ensure the implementation of the municipal budget | Top Layer SDBIP submitted to the Mayor   | 1                      | 1             | 1      | G  |                     |                     |
| TL13 | Good Governance and Public Participation               | Develop and update an Audit Action Plan  | Management Action Plan   | New KPI for 2013/14 FY | 1             | 1      | G  |                     |                     |
| TL23 | Municipal Transformation and Institutional Development | Implement an individual performance management system up to supervisor level   | Implementation up to Superintendent level  | 25                     | 30            | 40     | G2 |                     |                     |
| TL82 | Good Governance and Public Participation               | Maintain a clean audit opinion   | Audit Opinion  | New KPI for 2013/2014  | 1             | 1      | G  |                     |                     |
| TL83 | Good Governance and Public Participation               | Resolve all audit issues   | % of audit queries for which an action plan was submitted within 10 working days | 90%                    | 90%           | 100%   | G2 |                     |                     |
| TL89 | Good Governance and Public Participation               | Compliance with implementation and reporting requirements on MIG   | 100% Compliance with implementation and reporting requirements on MIG            |                        | 100%          | 100%   | G  |                     |                     |

| Ref  | National KPA                             | KPI  | Unit of Measurement  | Baseline | Annual Target |        |   | Performance Comment | Corrective Measures |
|------|--|--|--|----------|---------------|--------|---|---------------------|---------------------|
|      |  |  |  |          |               | Actual | R |                     |                     |
| TL90 | Good Governance and Public Participation | Grant progress reports submitted to the relevant national and provincial department before the 10th working day of every month | Number of reports submitted before the 10th working day of every month | 12       | 12            | 12     | G |                     |                     |

### Growth and economic development

| Ref  | National KPA               | KPI                                     | Unit of Measurement   | Baseline | Annual Target |        |   | Performance Comment | Corrective Measures |
|------|----------------------------|---|-----------------------|----------|---------------|--------|---|---------------------|---------------------|
|      |                            |   |                       |          |               | Actual | R |                     |                     |
| TL15 | Local Economic Development | Develop a LED Strategy by 31 March 2014 | LED Strategy approved | 1        | 1             | 1      | G |                     |                     |



## Institutional Development and Corporate governance

| Ref  | National KPA   | KPI   | Unit of Measurement  | Baseline              | Annual Target |        |   | Performance Comment                   | Corrective Measures   |
|------|--|---|--|-----------------------|---------------|--------|---|---------------------------------------|---|
|      |  |   |  |                       |               | Actual | R |                                       |   |
| TL14 | Municipal Transformation and Institutional Development | 50% of the IT Disaster Recovery Site developed by 30 June 2014  | IT Disaster Recovery Site  | New KPI for 2013/2014 | 50%           | 50%    | G |                                       |   |
| TL30 | Municipal Transformation and Institutional Development | % of the municipal budget spent on implementing its WSP by June 2014  | % Of budget used for skills development                                      | 1%                    | 1%            | 1%     | G |                                       |   |
| TL41 | Good Governance and Public Participation               | Number of people from the EE target groups employed in the 3 highest levels of management in compliance with the approved EE plan | Number of people employed in the highest 3 levels of management              | New KPI for 2013/2014 | 1             | 0      | R | No appointment was done at this level | Although there were vacancies at this level, the Municipal Manager did not approve the filling of these posts, as no suitable candidate could be found. |
| TL44 | Good Governance and Public Participation               | Ensuring that all property contracts are properly executed  | Monthly reports on the property contracts submitted to the Municipal Manager | New KPI for 2013/2014 | 4             | 12     | G |                                       |   |

## Provision of a safe and efficient road network

| Ref  | National KPA           | KPI   | Unit of Measurement  | Baseline | Annual Target |        |   | Performance Comment | Corrective Measures |
|------|------------------------|---|--|----------|---------------|--------|---|---------------------|---------------------|
|      |                        |   |  |          |               | Actual | R |                     |                     |
| TL91 | Basic Service Delivery | The upgrading / rehabilitation of streets as per the Pavement Management System | Streets rehabilitated and upgraded as per the Pavement Management System | 100%     | 100%          | 100%   | G |                     |                     |

## Provision of a clean environment

| Ref  | National KPA                             | KPI  | Unit of Measurement                           | Baseline              | Annual Target |        |    |  |  |
|------|--|--|---|-----------------------|---------------|--------|----|--|--|
|      |  |  |   |                       |               | Actual | R  | Performance Comment  | Corrective Measures  |
| TL18 | Local Economic Development               | Implementation of expanded public works programme  | Number of temporary job opportunities created | 200                   | 220           | 437    | B  |  |  |
| TL24 | Good Governance and Public Participation | Annual review and submission of the Disaster Management Plan for assessment by the District by end May | Plan reviewed                                 | 1                     | 1             | 1      | G  |  |  |
| TL52 | Good Governance and Public Participation | Report quarterly on compliance with the National Waste Management Strategy                             | Number of reports                             | 4                     | 4             | 4      | G  |  |  |
| TL54 | Basic Service Delivery                   | Capital spending on Solid Waste Projects   | % of capital budget spent                     | New KPI for 2013/2014 | 95%           | 94%    | O  | Toilets in Robertson were not built as the public was not notified. A public participation process must be followed. | Toilets in Robertson were not built as the public was not notified. A public participation process must be followed. |
| TL55 | Basic Service Delivery                   | Increase tonnage of domestic waste recycled  | Tonnage                                       | 720                   | 780           | 859.5  | G2 | 207.41 ton recycled  |  |
| TL65 | Basic Service Delivery                   | Submission of an approved HSP after approval by DEAD & P and HSP                                       | 1 Approved HSP                                | New KPI for 2013/2014 | 1             | 1      | G  |  |  |
| TL67 | Basic Service Delivery                   | Oversee process for identifying an alternative Landfill Site   | Report submitted to council                   | New KPI for 2013/2014 | 1             | 1      | G  |  |  |

| Ref  | National KPA           | KPI   | Unit of Measurement                               | Baseline | Annual Target |        |   | Performance Comment  | Corrective Measures  |
|------|------------------------|---|---|----------|---------------|--------|---|--|--|
|      |                        |   |   |          |               | Actual | R |  |  |
| TL95 | Basic Service Delivery | Provide free basic refuse removal to indigent households in terms of the equitable share requirements | Number of HH receiving free basic refuse removals | 6000     | 7,000         | 6,773  | O | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy |

## Social and Community Development

| Ref  | National KPA                             | KPI  | Unit of Measurement  | Baseline                 | Annual Target |        |    | Performance Comment | Corrective Measures |
|------|--|--|--|--------------------------|---------------|--------|----|---------------------|---------------------|
|      |  |  |  |                          |               | Actual | R  |                     |                     |
| TL33 | Basic Service Delivery                   | Upgrade the community hall: Happy Valley by June 2014            | Happy Valley Community Hall upgraded   | 100%                     | 1             | 1      | G  |                     |                     |
| TL45 | Good Governance and Public Participation | Management of the Thusong Centre                                 | Number of quarterly reports on the general activities of the Thusong Centre submitted to the Municipal Manager | New KPI for 2013/2014    | 4             | 4      | G  |                     |                     |
| TL46 | Good Governance and Public Participation | Ensuring functional ward committee system                        | Number of monthly ward committee meetings  | New KPI for 2013/2014    | 10            | 11     | G2 |                     |                     |
| TL86 | Basic Service Delivery                   | Install 2 book detectors at the Robertson and Bonnievale Library | 2 book detectors installed at Robertson and Bonnievale library by 30 June 2014                                 | New KPI for 2013/2014 FY | 2             | 2      | G  |                     |                     |

| Ref  | National KPA           | KPI  | Unit of Measurement                                       | Baseline                     | Annual Target |        |   | Performance Comment  | Corrective Measures  |
|------|------------------------|--|---|------------------------------|---------------|--------|---|--|--|
|      |                        |  |   |                              |               | Actual | R |  |  |
| TL87 | Basic Service Delivery | Construct an activity hall in Happy Valley   | Activity Hall constructed by 30 June 2014 in Happy Valley | New KPI for the 2013/2014 FY | 1             | 0      | R | 5.54% spent.   | The project will roll over to the next FY  |
| TL93 | Basic Service Delivery | Provide 6kl free basic water per indigent household per month in terms of the equitable share requirements | Number of HH receiving free basic water                   | 6000                         | 7,000         | 6,644  | O | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy |
| TL94 | Basic Service Delivery | Provide free basic sanitation to indigent households in terms of the equitable share requirements          | Number of HH receiving free basic sanitation              | 6000                         | 7,000         | 6,764  | O | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy | Some indigents have been appointed permanently by Langeberg & Ashton Foods. A system was also implemented whereby all deceased indigents could be identified. Councillors also visited indigents to assess if they do qualify for the indigent subsidy |

## Sound Financial Management

| Ref  | National KPA                                 | KPI   | Unit of Measurement  | Baseline | Annual Target |        |    | Performance Comment           | Corrective Measures  |
|------|--|---|--|----------|---------------|--------|----|-------------------------------|--|
|      |  |   |  |          |               | Actual | R  |                               |  |
| TL74 | Municipal Financial Viability and Management | Financial viability measured in terms of the available cash to cover fixed operating expenditure          | Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure                              | 2        | 2.2           | 1.56   | R  | Calculation in file           | Tariffs adjusted to improve - still within acceptable norm |
| TL75 | Municipal Financial Viability and Management | Financial viability measured in terms of the municipality's ability to meet it's service debt obligations | Debt coverage ((Total operating revenue- operating grants received)/debt service payments due within the year) | 57       | 60            | 55.05  | O  | Calculation in file           | Ratio within acceptable norm                               |
| TL76 | Municipal Financial Viability and Management | Financial viability measured in terms of the outstanding service debtors                                  | Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)                | 12.6     | 12            | 11.48  | O  | Calculation in file           | Company appointed to recover outstanding monies            |
| TL77 | Municipal Financial Viability and Management | Achievement of a payment percentage of at least 100%  | Payment %  | 97       | 100%          | 99.48% | O  | Credit Control Policy applied | Real People appointed for collection of outstanding monies |
| TL80 | Municipal Financial Viability and Management | Maintain the asset register in terms of GRAP  | % of asset register maintained   | 1        | 100%          | 100%   | G  |                               |  |
| TL92 | Municipal Financial Viability and Management | % of Capital Budget Spent on capital projects as identified in the IDP                                    | 95% of Capital Budget spent  | 90%      | 95%           | 95.99% | G2 |                               |  |

## Sustainable civil engineering infrastructure services

| Ref  | National KPA                                 | KPI  | Unit of Measurement        | Baseline              | Annual Target |        |    |  |  |
|------|--|--|----------------------------|-----------------------|---------------|--------|----|--|--|
|      |  |  |                            |                       |               | Actual | R  | Performance Comment  | Corrective Measures  |
| TL58 | Municipal Financial Viability and Management | Achieve Blue Drop Status                                       | Blue Drop Status achieved  | New KPI for 2013/2014 | 50%           | 0%     | R  | The assessment has been done, but the results are still awaited. | The assessment has been done, but the results are still awaited. |
| TL59 | Municipal Financial Viability and Management | Microbiological quality of water to comply with SANS standards | % of water quality         | 90%                   | 90%           | 98.33% | G2 |  |  |
| TL61 | Basic Service Delivery                       | Capital Spending on Water and Sanitation Infrastructure        | % of capital budget spent  | 95%                   | 95%           | 100%   | G2 |  |  |
| TL62 | Municipal Financial Viability and Management | Limit unaccounted water to 18%                                 | % of water unaccounted for | 18%                   | 18%           | 11.45% | B  |  |  |

| Ref  | National KPA                                 | KPI  | Unit of Measurement        | Baseline              | Annual Target |        |   |   |  |
|------|--|--|----------------------------|-----------------------|---------------|--------|---|---|--|
|      |  |  |                            |                       |               | Actual | R | Performance Comment                                 | Corrective Measures  |
| TL63 | Municipal Financial Viability and Management | Quality of effluent in terms of SANS standards | % quality                  | 80%                   | 80%           | 74.29% | O |   | The 2 Wastewater Treatment Works that are under performing are Montagu and Robertson where the following corrective measures are being implemented: Montagu Additional aerobic capacity is needed in Montagu. We are currently busy with the tender for the consultants. Construction will start in middle of 2015 as this is a roll over project for 2014/15 and 2015/16. There is R 2 286 547 provided for this from MIG funding on the 2014/15 capital budget. Robertson The upgrading of the waste water treatment works in Robertson has just been completed. An anoxic zone as well as the capacity of the reactor was done. |
| TL64 | Municipal Financial Viability and Management | Achieve Green Drop Status                      | Green Drop Status achieved | New KPI for 2013/2014 | 50%           | 0%     | R | No Green drop assessment was scheduled for 2013/14. | No Green drop assessment was scheduled for 2013/14.  |

| Ref  | National KPA           | KPI  | Unit of Measurement                       | Baseline                     | Annual Target |        |   | Performance Comment             | Corrective Measures  |
|------|------------------------|--|---|------------------------------|---------------|--------|---|---------------------------------|--|
|      |                        |  |   |                              |               | Actual | R |                                 |  |
| TL88 | Basic Service Delivery | Construct Bonnievale reservoir and related pipe work | 14% of the project completed by June 2014 | New KPI for the 2013/2014 FY | 14%           | 24.63% | B | 24.63% of the project completed | The % spending was measured against the total value of the project as at end of June 2014. This amounts to 24.63%. |

### Sustainable integrated human settlement

| Ref  | National KPA           | KPI   | Unit of Measurement            | Baseline              | Annual Target |         |   | Performance Comment   | Corrective Measures  |
|------|------------------------|---|--------------------------------|-----------------------|---------------|---------|---|---|--|
|      |                        |   |                                |                       |               | Actual  | R |   |  |
| TL66 | Basic Service Delivery | Installation of services                                | % of Budget Spent              | New KPI for 2013/2014 | 100%          | 54.89 % | R | R2.5 million was transferred during the adjustment budget in Feb 14 to the vote number for the purposes of building a reservoir at Muiskraalskop in Robertson. The consulting engineer indicated that the costs for the building of the reservoir would amount to R10 million. Council took a decision to apply for RBIG funds for the building of the reservoir. | In future funds will not be transferred to vote numbers if it will not be spent. |
| TL70 | Basic Service Delivery | Oversee the Review of the Spatial Development Framework | Framework submitted to Council | 100                   | 1             | 1       | G |   |  |



| Ref  | National KPA           | KPI  | Unit of Measurement         | Baseline | Annual Target |        |   |   |   |
|------|------------------------|--|-----------------------------|----------|---------------|--------|---|---|---|
|      |                        |  |                             |          |               | Actual | R | Performance Comment   | Corrective Measures   |
| TL71 | Basic Service Delivery | Follow up on the status of zoning scheme regulations | Correspondence on follow up | 100      | 1             | 0      | R | The assessment of the draft regulations was only done in September 2013. As a direct result of the delay by DEADP to evaluate these regulations, as well as newly set requirements that came to light, some of the content became outdated. The assessment also indicates numerous amendments to the content to be done. DEADP, in the meanwhile, also compiled a Model Zoning Scheme which municipalities can adopt or amend to suit their circumstances. The content of this Model Zoning Scheme, when received, will be evaluated against the draft Scheme that was submitted to DEADP. Only then will a final decision be taken on which Scheme to adopt. | The assessment of the draft regulations was only done in September 2013. As a direct result of the delay by DEADP to evaluate these regulations, as well as newly set requirements that came to light, some of the content became outdated. The assessment also indicates numerous amendments to the content to be done. DEADP, in the meanwhile, also compiled a Model Zoning Scheme which municipalities can adopt or amend to suit their circumstances. The content of this Model Zoning Scheme, when received, will be evaluated against the draft Scheme that was submitted to DEADP. Only then will a final decision be taken on which Scheme to adopt. |



# CHAPTER 4



## Component A: Municipal Workforce

### Number of Employees

The following **table 26** reflects the number of staff per category for the last three financial years:

| Category                                    | No of Employees<br>(2011/12) | No of Employees<br>(2012/13) | No of Employees<br>(2013/14) |
|---|------------------------------|------------------------------|------------------------------|
| Legislators, senior officials, and managers | 34                           | 35                           | 32                           |
| Clerks                                      | 116                          | 118                          | 127                          |
| Technicians and associate professionals     | 72                           | 74                           | 74                           |
| Craft and related trade workers             | 156                          | 163                          | 161                          |
| Elementary occupations                      | 296                          | 301                          | 287                          |
| <b>Total:</b>                               | <b>674</b>                   | <b>691</b>                   | <b>681</b>                   |

**Table 27: Staff Category per Directorate**

| Directorate                            | Total      | Legislators,<br>Senior<br>Officials and<br>Managers | Clerks     | Technicians<br>and Associate<br>Professionals | Craft and<br>related<br>Trade<br>Workers | Elementary<br>Occupations |
|--|------------|---|------------|---|--|---------------------------|
| Engineering Services                   | 350        | 13  | 17         | 30  | 98                                       | 192                       |
| Chief Financial Officer                | 63         | 3   | 40         | 11  | 9  | 0                         |
| Strategy & Social Development Services | 116        | 6   | 8          | 12  | 29                                       | 61                        |
| Corporate Services                     | 147        | 8   | 60         | 20  | 25                                       | 34                        |
| Municipal Manager's Office             | 5          | 2   | 2          | 1   | 0  | 0                         |
| <b>Total: 2013/14</b>                  | <b>681</b> | <b>32</b>   | <b>127</b> | <b>74</b>                                     | <b>161</b>                               | <b>287</b>                |
| <b>Total: 2012/13</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>                |

### 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.

### Recruitment and Selection

During 2013/14 **93** posts have been advertised, of which **82** were filled in 2013/14. Of these appointments, **76** were candidates from within the Langeberg municipal area.

The breakdown and representation regarding these appointments are as follows:

**Table 28: Recruitment and Selection:**

| Category                    | Target 2011/12 | Actual 2011/12 | Target 2012/13 | Actual 2012/13 | Target 2013/14 | Actual 2013/14 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Coloureds                   | 50%            | 64.4%          | 50%            | 63.2%          | 50%            | 56.1%          |
| Africans                    | 30%            | 26.4%          | 30%            | 17.9%          | 30%            | 28%            |
| Whites                      | 20%            | 9.2%           | 20%            | 18.9%          | 20%            | 15.9%          |
| Employees with Disabilities | 4%             | 3.4%           | 4%             | 2.1%           | 4%             | 1.2%           |

**Table 29: New Appointments per Employment Equity Categories: 2013/2014:**

| Directorate                   | African   | Coloured  | Indian   | White     | Total     | Female    | Male      |
|-------------------------------|-----------|-----------|----------|-----------|-----------|-----------|-----------|
| Engineering Services          | 10        | 17        | 0        | 6         | 33        | 3         | 30        |
| Chief Financial Officer       | 3         | 11        | 0        | 0         | 14        | 6         | 8         |
| Strategy & Social Development | 4         | 6         | 0        | 3         | 13        | 8         | 5         |
| Corporate Services            | 4         | 12        | 0        | 4         | 20        | 14        | 6         |
| Municipal Manager's Office    | 2         | 0         | 0        | 0         | 2         | 1         | 1         |
| <b>Total: 2013/14</b>         | <b>23</b> | <b>46</b> | <b>0</b> | <b>13</b> | <b>82</b> | <b>32</b> | <b>50</b> |
| <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> |

**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:

- Free medical tests by LA health medical fund;
- Debt counseling, garnishee orders and financial planning sessions;
- Promotional Health Talk on Circumcision.

**Vacancy Rate**

The vacancy rate increased to 7.8% in the 2013/14 financial year, compared to 6.9% in 2012/13 and 6.6% in the 2011/12 financial year.

**Table 30: Vacancies per Job Category 2013/14:**

| Directorate                   | Total     | Legislators, senior officials and managers | Clerks    | Technicians and associate professionals | Craft and related trade workers | Elementary occupations |
|-------------------------------|-----------|--|-----------|---|---------------------------------|------------------------|
| Engineering Services          | 22        | 1  | 0         | 4                                       | 8                               | 9                      |
| Chief Financial Officer       | 4         | 0  | 3         | 1                                       | 0                               | 0                      |
| Strategy & Social Development | 17        | 0  | 0         | 1                                       | 7                               | 9                      |
| Corporate Services            | 14        | 0  | 1         | 7                                       | 2                               | 4                      |
| Municipal Manager's Office    | 1         | 0  |           | 1                                       | 0                               | 0                      |
| <b>Total:2013/14</b>          | <b>58</b> | <b>1</b>                                   | <b>4</b>  | <b>14</b>                               | <b>17</b>                       | <b>22</b>              |
| <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>               |

## 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 2013/14. The Employment Equity Plan was developed, and the Employment Equity Report submitted on the 30 September 2013.

**Table 31: Total Employment Equity Statistics per Directorate as at 30 June 2014:**

| Directorate                   | African    | Coloured   | Indian   | White      | Total      | Female     | Male       |
|-------------------------------|------------|------------|----------|------------|------------|------------|------------|
| Engineering Services          | 96         | 203        | 0        | 51         | <b>350</b> | 46         | 304        |
| Chief Financial Officer       | 16         | 33         | 0        | 14         | <b>63</b>  | 33         | 30         |
| Strategy & Social Development | 28         | 73         | 0        | 15         | <b>116</b> | 34         | 82         |
| Corporate Services            | 35         | 91         | 0        | 21         | <b>147</b> | 88         | 59         |
| Municipal Managers Office     | 3          | 0          | 0        | 2          | <b>5</b>   | 2          | 3          |
| <b>Total: 2013/14</b>         | <b>178</b> | <b>400</b> | <b>0</b> | <b>103</b> | <b>681</b> | <b>203</b> | <b>478</b> |
| <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> |

## 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

## Promotions

The information below in **Table 32** compares the number of employees that have been promoted during the past three financial years:

| Directorate                   | Number of Promotions<br>2011/12 | Number of Promotions<br>2012/13 | Number of Promotions<br>2013/14 |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Service Integration           | 8                               | 3                               | N/A                             |
| Engineering Services          | 6                               | 7                               | 11                              |
| Chief Financial Officer       | 4                               | 3                               | 3                               |
| Strategy & Social Development | 0                               | 2                               | 2                               |
| Corporate Services            | 0                               | 4                               | 2                               |
| Municipal Manager's Office    | 0                               | 0                               | 1                               |
| <b>Total</b>                  | <b>18</b>                       | <b>19</b>                       | <b>19</b>                       |

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

## 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

## Medical Aid Schemes

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

- BONITAS
- HOSMED
- Key Health
- LA Health
- SAMWUMED

## Labour Relations

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

**Table 33: Labour Relations issues recorded/investigated during 2013/14:**

| Labour Relations issue | Number of Cases:<br>2011/12 | Number of Cases:<br>2012/13 | Number of Cases:<br>2013/14 |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
| Misconduct             | 101                         | 113                         | 154                         |
| Dismissals             | 12                          | 14                          | 20                          |
| Suspensions            | 6                           | 5                           | 9                           |
| <b>Total Cases</b>     | <b>119</b>                  | <b>132</b>                  | <b>183</b>                  |

### 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 34: Incidents/accidents recorded and/or investigated during 2013/14:**

| Directorate                     | Personal injury | Disease  | Death    |
|---------------------------------|-----------------|----------|----------|
| Engineering Services            | 61              | 0        | 0        |
| Strategy and Social Development | 7               | 0        | 0        |
| Chief Financial Officer         | 0               | 0        | 0        |
| Corporate Services              | 2               | 0        | 0        |
| Municipal Manager's Office      | 0               | 0        | 0        |
| <b>Total 2013/14</b>            | <b>70</b>       | <b>0</b> | <b>0</b> |
| Total 2012/13                   | 82              | 0        | 0        |
| Total 2011/12                   | 88              | 0        | 0        |

## Component B: Managing the Municipal Workforce

### 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 2011/12 | Bonus Amount 2012/13 | Bonus Amount 2013/14 |
|---------------------------|-------------------------------|----------------------|----------------------|----------------------|
| Mr IAB van der Westhuizen | Engineering Services          | N/A                  | N/A                  | R 37 022.83          |
| Mrs CO Matthys            | Strategy & Social Development | N/A                  | N/A                  | R 37 022.83          |
| Mr CF Hoffmann            | Chief Financial Officer       | R 105 832.32         | R 74 844.64          | R 40 054.07          |
| Mr AWJ Everson            | Corporate Services            | R 105 832.32         | R 74 844.64          | R 40 054.07          |
| Mr SA Mokweni             | Municipal Manager             | R 138 203.52         | R 90 219.28          | R 48 282.01          |
| <b>Total Bonuses</b>      |                               | <b>R 349 868.16</b>  | <b>R 239 908.56</b>  | <b>R 202 435.81</b>  |

### Improved Performance Management

In 2013/2014 the municipality adopted a performance framework within the organisation up until the level of supervision. Implementation and monitoring thereof will be a targeted and continued focus in 2014/2015.



## Component C: Capacitating the Municipal Workforce

### Skills Development

As prescribed by legislation, the combined Workplace Skills Plan (WSP) was compiled in April 2014 and approved on 30 April 2014.

For the year under review (2013/14), the Langeberg Municipality trained 196 employees compared to 231 in the 2012/13 financial year.

**Table 35: Training per Job Category:**

| Directorate                   | Total      | Legislators,<br>Senior<br>Officials and<br>Managers | Clerks    | Technicians<br>and<br>Associate<br>Professionals | Craft<br>and<br>Related<br>Trade<br>Workers | Elementary<br>Occupations | Professionals |
|-------------------------------|------------|---|-----------|--|---|---------------------------|---------------|
| Engineering Services          | 113        | 0   | 0         | 11   | 47  | 55                        | 0             |
| Chief Financial Officer       | 1          | 0   | 0         | 0  | 1   | 0                         | 0             |
| Strategy & Social Development | 45         | 1   | 1         | 2  | 13  | 28                        | 0             |
| Corporate Services            | 37         | 0   | 19        | 3  | 6   | 9                         | 0             |
| Municipal Manager's Office    | 0          | 0   | 0         | 0  | 0   | 0                         | 0             |
| <b>Total:2013/14</b>          | <b>196</b> | <b>1</b>  | <b>20</b> | <b>16</b>  | <b>67</b>                                   | <b>92</b>                 | <b>0</b>      |
| <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>      |

### 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 |
|----------------|--------------|--------------|------------------|
| 2013/2014      | R 566 250.00 | R 565 996.00 | 99.9%            |
| 2012/2013      | R 580 000.00 | R 580 000.00 | 100%             |
| 2011/2012      | R 580 000.00 | R 402 599.00 | 69.4%            |

## 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 45 employees were identified to obtain the abovementioned qualification and prescribed competencies. 18 officials have already completed the training, 20 are currently busy and 10 still need to undergo the training.

**Table 36** 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 i.t.o. Regulation 14(4)(a) and (c)</b> | <b>Competency assessments completed i.t.o. 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 i.t.o. Regulation 14(4)(e)</b> |
| <b>Financial Officials</b>                               |  |  |   |  |
| Accounting Officer                                       | 1  | 1  | 1   | 1  |
| Chief Financial Officer                                  | 1  | 1  | 1   | 1  |
| Senior Managers  | 31   | 15   | 4   | 15   |
| Any other financial officials                            | 12   | 1  | -   | 1  |
| <b>Supply Chain Management Officials</b>                 |  |  |   |  |
| Heads of Supply Chain Management Units                   | 0  | 0  | -   | 0  |
| Supply Chain Management Senior Managers                  | -  | -  | -   | -  |
| <b>TOTAL</b>   | <b>45</b>  | <b>18</b>  | <b>6</b>  | <b>18</b>  |

## Induction

All new appointments are taken through the induction process. In the 2013/2014 financial year, sixty (60) newly appointed employees went through a one-day induction course, as compared to sixty seven (67) in 2012/13 and seventy two (72) in the 2011/12 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

## Learnerships and Bursaries

A total of seven (7) learners were recorded to have received training through Learnerships in 2013/2014, compared to 6 Learnerships recorded in 2012/13 financial year.

The municipality granted fourteen (14) internal bursaries in the 2013/14 financial year compared to twenty (20) internal bursaries in 2012/13.

**Table 37 : Bursaries per Directorate**

| Directorate                   | Number of Beneficiaries<br>2011/12 | Number of<br>Beneficiaries<br>2012/13 | Number of Beneficiaries<br>2013/14 |
|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| Service Integration           | 2                                  | 0                                     | N/A                                |
| Engineering Services          | 4                                  | 12                                    | 2                                  |
| Chief Financial Officer       | 6                                  | 4                                     | 2                                  |
| Strategy & Social Development | 0                                  | 2                                     | 3                                  |
| Corporate Services            | 2                                  | 2                                     | 7                                  |
| Municipal Manager's Office    | 3                                  | 0                                     | 0                                  |
| <b>Total</b>                  | <b>17</b>                          | <b>20</b>                             | <b>14</b>                          |

## **Component D: Managing the Municipal Workforce Expenditure**

### **Personnel Expenditure**

**Table 38: Trends of Personnel Expenditure compared to Operating Expenditure:**

| Financial Year | Salaries      | Expenditure   | Percentage |
|----------------|---------------|---------------|------------|
| 2013/2014      | R127 757 418  | R440 893 748  | 28.98%     |
| 2012/2013      | R 118 437 567 | R 403 091 717 | 29.38%     |
| 2011/2012      | R 108 706 604 | R 380 162 067 | 28.59%     |



# CHAPTER 5





**These financial statements have been audited**

**FINANCIAL STATEMENTS**

**30 JUNE 2014**

# LANGE BERG MUNICIPALITY

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## **LANGEBERG MUNICIPALITY**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

#### **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:

*Ashton  
Bonnievale  
McGregor  
Montagu  
Robertson*

##### **MUNICIPAL MANAGER**

*SA Mokweni*

##### **CHIEF FINANCIAL OFFICER**

*CF Hoffman*

##### **REGISTERED OFFICE**

*Langeberg Municipality; 28 Main Road; Ashton; 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 LANGE BERG 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         |
| Mafilika, 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 |
| Swanepeol, CB    | 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

31/08/2014  
Date

**LANEBERG MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014  
**REPORT OF THE CHIEF FINANCIAL OFFICER**

# 1. INTRODUCTION

It gives me great pleasure to present the financial position of LANE BERG MUNICIPALITY for the fiscal year 2013/2014

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.

Langeberg Municipality implemented one new accounting standards in 2013/2014, namely GRAP 20 on Related Parties.

# 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 2014 | 30 June 2013 |
|---|--------------|--------------|
| Surplus / (Deficit) for the year before Appropriations    | 21 365 594   | 33 871 688   |
| Accumulated Surplus / (Deficit) at the end of the Year    | 458 116 621  | 431 174 623  |
| Expenditure Categories as a percentage of Total Expenses: |              |              |
| Employee related costs                                    | 29.28%       | 29.50%       |
| Remuneration of Councillors                               | 1.75%        | 1.75%        |
| Debt Impairment   | 3.35%        | 2.70%        |
| Depreciation and Amortisation                             | 4.53%        | 4.14%        |
| Collection costs  | 0.27%        | 0.29%        |
| Impairments   | 0.05%        | 0.00%        |
| Repairs and Maintenance                                   | 3.37%        | 2.99%        |
| Actuarial losses  | 0.96%        | 0.07%        |
| Unamortised Discount - Interest paid                      | 0.03%        | 0.02%        |
| Finance Charges   | 1.72%        | 1.79%        |
| Bulk Purchases  | 41.92%       | 43.47%       |
| Contracted services                                       | 0.27%        | 0.24%        |
| Grants and Subsidies                                      | 0.00%        | 0.00%        |
| Stock Adjustments   | 0.01%        | 0.00%        |
| Operating Grant Expenditure                               | 0.00%        | 0.00%        |
| General Expenses  | 12.47%       | 12.82%       |
| Loss on disposal of Property, Plant and Equipment         | 0.05%        | 0.22%        |

It should be noted that bulk purchases for water and electricity is 42% of the total expenditure for 2013/2014.

# 3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2014 are as follows:

| DETAILS   | Actual<br>2013/2014<br>R | Actual<br>2012/2013<br>R | Percentage<br>Variance<br>% | Budgeted<br>2013/2014<br>R | Variance actual/<br>budgeted<br>% |
|---|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Opening surplus / (deficit)                                       | 431 174 623              | 395 018 757              | 9.15%                       | -                          | -                                 |
| Operating income for the year (incl. gains in disposal of assets) | 462 653 942              | 440 184 913              | 5.10%                       | 481 932 724                | -4.00%                            |
| Appropriations for the year                                       | 5 576 404                | 2 284 178                | 0.00%                       | -                          | -                                 |
|   | 899 404 969              | 837 487 848              | 7.39%                       | 481 932 724                | 86.62%                            |
| <b>Expenditure:</b>   |                          |                          |                             |                            |                                   |
| Operating expenditure for the year                                | 441 288 348              | 406 313 225              | 8.61%                       | 455 327 082                | -3.08%                            |
| Closing surplus / (deficit)                                       | 458 116 621              | 431 174 623              |                             |                            |                                   |
|   | 899 404 969              | 837 487 848              | 7.39%                       | 455 327 082                | 97.53%                            |
|   |                          |                          |                             |                            |                                   |

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 52 538 214 , and in percentage terms amounts to 90.33% 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 51 857 694 (2013/14) was financed as follows:

| DETAILS                     | Actual<br>2013/2014<br>R | Budgeted<br>2013/2014<br>R | Percentage<br>Variance<br>% | Source of<br>funding as %<br>of total Cap exp |
|-----------------------------|--------------------------|----------------------------|-----------------------------|---|
| Capital Replacement Reserve | 27 256 923               | 30 716 079                 | -13%                        | 51.88%  |
| External Loans              |                          |                            |                             |   |
| Grants and Subsidies        | 25 281 290               | 26 695 707                 | -6%                         | 48.12%  |
| Leased Assets               |                          |                            |                             |   |
|                             | 52 538 213               | 57 411 786                 |                             | 100.00%                                       |

#### 5. LONG-TERM LIABILITIES

|  | 2014<br>R         | 2013<br>R         |
|--|-------------------|-------------------|
| The outstanding amount of Long-term Liabilities as at 30 June was :  | <u>33 564 440</u> | <u>37 290 700</u> |
| No new loans were taken up during the financial year to enable the municipality to finance its capital requirements. | <u>-</u>          | <u>-</u>          |
| 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: | <u>60 593 489</u> | <u>50 803 769</u> |
| Provision for Post Retirement Benefits  | 47 581 193        | 39 158 817        |
| Provision for Ex-Gratia Pension Benefits  | -                 | -                 |
| Provision for Long Service Awards   | 7 775 009         | 7 220 591         |
| Provision for Rehabilitation of Landfill-sites                                  | 5 237 287         | 4 424 361         |
| Provision for Clearing of Alien Vegetation                                      | -                 | -                 |
|   | <u>60 593 489</u> | <u>50 803 769</u> |

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    | 7 176 811         | 6 570 594         |
| Current Employee benefits                          | Note number 7    | 12 416 115        | 12 368 908        |
| Provisions   | Note number 8    | 415 312           | 1 360 279         |
| Payables from exchange transactions                | Note number 9    | 44 299 793        | 41 215 130        |
| Unspent Conditional Government Grants and Receipts | Note number 10   | 3 237 473         | 8 796 656         |
| Unspent Public Contributions                       | Note number 11   | 994 430           | 387 849           |
| Taxes  | Note number 12.1 | -                 | -                 |
| Current Portion of Long-term Liabilities           | Note number 3    | 4 136 068         | 4 242 681         |
|  |                  | <u>72 676 002</u> | <u>74 942 098</u> |

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: | <u>545 165</u> | <u>303 858</u> |
|--|----------------|----------------|

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: | <u>497 978 107</u> | <u>465 211 960</u> |
|--|--------------------|--------------------|

Refer to Note number 13 for more detail.

## 10. INVESTMENTS

The municipality held Investments to the value of :

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Call Investment Accounts | 50 000 000        | 60 000 000        |
| Listed Investment        | 16 673            | 12 420            |
| Unlisted Investments     | 92 950            | 78 197            |
|                          | <b>50 109 623</b> | <b>60 090 617</b> |

Refer to Note number 25 for more detail.

## 11. LONG-TERM RECEIVABLES

Refer to Note number 19 for more detail.

|                  |                  |
|------------------|------------------|
| <b>2 291 076</b> | <b>3 545 585</b> |
|------------------|------------------|

## 12. CURRENT ASSETS

Current Assets are made up as follows:

|   |                |                    |                    |
|---|----------------|--------------------|--------------------|
| Inventory   | Note number 21 | 22 878 957         | 21 679 328         |
| Receivables from exchange transactions            | Note number 22 | 31 270 943         | 31 235 610         |
| Receivables from non-exchange transactions        | Note number 23 | 5 853 329          | 4 086 260          |
| Unpaid Conditional Government Grants and Receipts | Note number 10 | 1 561 052          | 250 000            |
| Operating Lease Asset                             | Note number 24 | 138 340            | 147 326            |
| Taxes   | Note number 12 | 1 508 200          | 644 589            |
| Current Portion of Long-term Receivables          | Note number 19 | 648 175            | 1 496 547          |
| Cash and Cash Equivalents                         | Note number 24 | 61 196 915         | 71 282 129         |
|   |                | <b>125 055 911</b> | <b>130 821 788</b> |

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 46 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  
31 August 2014

**LANGEBERG MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

|  | Notes | 2014<br>R          | 2013<br>R          |
|--|-------|--------------------|--------------------|
| <b>NET ASSETS AND LIABILITIES</b>                  |       |                    |                    |
| <b>Net Assets</b>                                  |       | <b>495 256 039</b> | <b>473 890 446</b> |
| Capital Replacement Reserve                        | 2     | 37 139 419         | 42 715 822         |
| Accumulated Surplus                                |       | 458 116 621        | 431 174 623        |
| <b>Non-Current Liabilities</b>                     |       | <b>89 234 293</b>  | <b>83 007 727</b>  |
| Long-term Liabilities                              | 3     | 28 640 804         | 32 203 958         |
| Employee benefits                                  | 4     | 55 356 202         | 46 379 408         |
| Non-Current Provisions                             | 5     | 5 237 287          | 4 424 361          |
| <b>Current Liabilities</b>                         |       | <b>72 676 002</b>  | <b>74 942 098</b>  |
| Consumer Deposits                                  | 6     | 7 176 811          | 6 570 594          |
| Current Employee benefits                          | 7     | 12 416 115         | 12 368 908         |
| Provisions   | 8     | 415 312            | 1 360 279          |
| Payables from exchange transactions                | 9     | 44 299 793         | 41 215 130         |
| Unspent Conditional Government Grants and Receipts | 10    | 3 237 473          | 8 796 656          |
| Unspent Public Contributions                       | 11    | 994 430            | 387 849            |
| Current Portion of Long-term Liabilities           | 3     | 4 136 068          | 4 242 681          |
| <b>Total Net Assets and Liabilities</b>            |       | <b>657 166 334</b> | <b>631 840 270</b> |
| <b>ASSETS</b>                                      |       |                    |                    |
| <b>Non-Current Assets</b>                          |       | <b>529 368 215</b> | <b>497 608 273</b> |
| Property, Plant and Equipment                      | 13    | 497 978 107        | 465 211 960        |
| Investment Property                                | 14    | 27 339 948         | 27 389 549         |
| Intangible Assets                                  | 15    | 545 165            | 303 858            |
| Heritage Assets                                    | 16    | 649 000            | 649 000            |
| Capitalised Restoration cost                       | 17    | 455 297            | 417 704            |
| Non-Current Investments                            | 18    | 109 623            | 90 617             |
| Long-Term Receivables                              | 19    | 2 291 076          | 3 545 585          |
| <b>Non-Current Assets held for sale</b>            | 20    | <b>2 742 209</b>   | <b>3 410 209</b>   |
| <b>Current Assets</b>                              |       | <b>125 055 911</b> | <b>130 821 788</b> |
| Inventory  | 21    | 22 878 957         | 21 679 328         |
| Receivables from exchange transactions             | 22    | 31 270 943         | 31 235 610         |
| Receivables from non-exchange transactions         | 23    | 5 853 329          | 4 086 260          |
| Unpaid Conditional Government Grants and Receipts  | 10    | 1 561 052          | 250 000            |
| Operating Lease Asset                              | 24    | 138 340            | 147 326            |
| Taxes  | 12.3  | 1 508 200          | 644 589            |
| Current Portion of Long-term Receivables           | 19    | 648 175            | 1 496 547          |
| Cash and Cash Equivalents                          | 25    | 61 196 915         | 71 282 129         |
| <b>Total Assets</b>                                |       | <b>657 166 334</b> | <b>631 840 270</b> |

**LANGEBERG MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

|   |       | 2014               | 2013               | 2013                                       | 2013                   |
|---|-------|--------------------|--------------------|--|------------------------|
|   | Notes | Actual             | Restated           | Correction<br>of<br>Error Refer<br>Note 40 | Previously<br>reported |
|   |       | R                  | R                  | R  | R                      |
| <b>REVENUE</b>                                    |       |                    |                    |  |                        |
| <b>Revenue from Non-exchange Transactions</b>     |       | <b>143 981 303</b> | <b>141 874 528</b> | <b>3 490 920</b>                           | <b>138 383 608</b>     |
| <b>Taxation Revenue</b>                           |       | <b>32 283 527</b>  | <b>29 806 702</b>  | <b>-</b>                                   | <b>29 806 702</b>      |
| Property rates                                    | 26    | 32 283 527         | 29 806 702         | -  | 29 806 702             |
| <b>Transfer Revenue</b>                           |       | <b>100 541 294</b> | <b>103 388 371</b> | <b>551 813</b>                             | <b>102 836 558</b>     |
| Government Grants and Subsidies - Capital         | 27    | 25 489 676         | 24 405 390         | -  | 24 405 390             |
| Government Grants and Subsidies - Operating       | 27    | 75 036 718         | 78 982 981         | 551 813                                    | 78 431 168             |
| Public Contributions and Donations                |       | 14 900             | -                  | -  | -                      |
| <b>Other Revenue</b>                              |       | <b>11 156 482</b>  | <b>8 679 455</b>   | <b>2 939 107</b>                           | <b>5 740 349</b>       |
| Gain on Foreign Exchange transaction              |       | -                  | -                  | -  | -                      |
| Actuarial Gains                                   | 4     | 291 583            | 1 250 989          | -  | 1 250 989              |
| Fair Value Adjustments                            |       | 19 005             | 39 068             | -  | 39 068                 |
| Fines   |       | 10 845 894         | 4 018 426          | 2 939 107                                  | 1 079 319              |
| Other Revenue                                     |       | -                  | -                  | -  | -                      |
| Impairment Reversal                               | 34    | -                  | 3 331 913          | -  | 3 331 913              |
| Stock Adjustments                                 |       | -                  | 39 059             | -  | 39 059                 |
| <b>Revenue from Exchange Transactions</b>         |       | <b>318 672 638</b> | <b>298 310 385</b> | <b>97 573</b>                              | <b>298 212 813</b>     |
| Service Charges                                   | 28    | 294 331 373        | 276 233 489        | (3 639)                                    | 276 237 128            |
| Rental of Facilities and Equipment                |       | 2 053 464          | 2 090 892          | 16 576                                     | 2 074 316              |
| Interest Earned - external investments            |       | 2 843 597          | 3 306 307          | (1 250 428)                                | 4 556 735              |
| Interest Earned - outstanding debtors             |       | 3 286 837          | 2 867 632          | 1 250 428                                  | 1 617 204              |
| Licences and Permits                              |       | 1 077 339          | 1 112 661          | (126 877)                                  | 1 239 538              |
| Agency Services                                   |       | 2 489 816          | 2 169 449          | 240 401                                    | 1 929 048              |
| Other Income                                      | 29    | 12 522 330         | 10 469 470         | (28 888)                                   | 10 498 358             |
| Unamortised Discount - Interest                   |       | 67 882             | 60 486             | -  | 60 486                 |
| Gain on disposal of Property, Plant and Equipment |       | -                  | -                  | -  | -                      |
| <b>Total Revenue</b>                              |       | <b>462 653 942</b> | <b>440 184 913</b> | <b>3 588 493</b>                           | <b>436 596 421</b>     |
| <b>EXPENDITURE</b>                                |       |                    |                    |  |                        |
| Employee related costs                            | 30    | 129 208 326        | 119 879 190        | 1 441 623                                  | 118 437 567            |
| Remuneration of Councillors                       | 31    | 7 714 307          | 7 099 118          | -  | 7 099 118              |
| Debt Impairment                                   | 32    | 14 798 877         | 10 951 284         | 2 400 228                                  | 8 551 056              |
| Depreciation and Amortisation                     | 33    | 19 970 964         | 16 814 127         | 60 322                                     | 16 753 805             |
| Collection costs                                  |       | 1 179 389          | 1 192 386          | -  | 1 192 386              |
| Impairments                                       | 34    | 200 000            | -                  | -  | -                      |
| Repairs and Maintenance                           |       | 14 855 602         | 12 142 007         | 44 112                                     | 12 097 894             |
| Actuarial losses                                  | 4     | 4 230 244          | 273 486            | (101 802)                                  | 375 288                |
| Unamortised Discount - Interest paid              |       | 124 376            | 96 805             | -  | 96 805                 |
| Finance Charges                                   | 35    | 7 569 829          | 7 264 105          | 114 274                                    | 7 149 831              |
| Bulk Purchases                                    | 36    | 184 970 315        | 176 635 158        | 107 642                                    | 176 527 517            |
| Contracted services                               |       | 1 179 569          | 981 026            | -  | 981 026                |
| Grants and Subsidies                              | 37    | -                  | -                  | -  | -                      |
| Stock Adjustments                                 |       | 33 146             | -                  | -  | -                      |
| Operating Grant Expenditure                       |       | -                  | -                  | (11 207 558)                               | 11 207 558             |
| General Expenses                                  | 38    | 55 018 706         | 52 082 710         | 10 013 461                                 | 42 069 249             |
| Loss on disposal of Property, Plant and Equipment |       | 234 697            | 901 823            | 349 205                                    | 552 618                |
| Fair Value Adjustments                            |       | -                  | -                  | -  | -                      |
| <b>Total Expenditure</b>                          |       | <b>441 288 348</b> | <b>406 313 225</b> | <b>3 221 508</b>                           | <b>403 091 717</b>     |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>         |       | <b>21 365 594</b>  | <b>33 871 688</b>  | <b>366 985</b>                             | <b>33 504 703</b>      |

**LANGEBERG MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

|   | <b>Capital<br/>Replacement<br/>Reserve</b> | <b>Accumulated<br/>Surplus/(Deficit)</b> | <b>Total</b>       |
|---|--|--|--------------------|
|   | <b>R</b>                                   | <b>R</b>                                 | <b>R</b>           |
| <b>Balance at 01 JULY 2012</b>              | <b>45 000 000</b>                          | <b>396 567 706</b>                       | <b>441 567 706</b> |
| Change in Accounting Policy (Refer Note 39) |  | -  | -                  |
| Correction of error (Refer Note 40)         |  | (1 548 949)                              | (1 548 949)        |
| <b>Restated balance at 01 JULY 2012</b>     | <b>45 000 000</b>                          | <b>395 018 757</b>                       | <b>440 018 757</b> |
| Net Surplus for the year                    |  | 33 871 688                               | 33 871 688         |
| Transfer to/from CRR                        | 25 815 080                                 | (25 815 080)                             | -                  |
| Property, Plant and Equipment purchased     | (28 099 257)                               | 28 099 257                               | -                  |
| <b>Balance at 30 JUNE 2013</b>              | <b>42 715 822</b>                          | <b>431 174 623</b>                       | <b>473 890 446</b> |
| Net Surplus for the year                    |  | 21 365 594                               | 21 365 594         |
| Transfer to/from CRR                        | 21 000 000                                 | (21 000 000)                             | -                  |
| Property, Plant and Equipment purchased     | (26 576 404)                               | 26 576 404                               | -                  |
| <b>Balance at 30 JUNE 2014</b>              | <b>37 139 419</b>                          | <b>458 116 621</b>                       | <b>495 256 039</b> |

**LANGEBERG MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

|   |           | 30 JUNE 2014        | 30 JUNE 2013<br>Restated |
|---|-----------|---------------------|--------------------------|
|   | Notes     | R                   | R                        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                    |           |                     |                          |
| <b>Receipts</b>   |           |                     |                          |
| Ratepayers and other  |           | 341 136 748         | 318 730 307              |
| Government - operating  |           | 73 622 193          | 75 718 495               |
| Government - capital  |           | 19 007 962          | 29 529 200               |
| Interest  |           | 2 788 989           | 3 733 977                |
| <b>Payments</b>   |           |                     |                          |
| Suppliers and employees                                       |           | (387 244 505)       | (368 558 755)            |
| Finance charges   |           | (3 328 813)         | (3 432 324)              |
| Transfers and Grants  |           |                     |                          |
| <b>Cash generated by operations</b>                           | <b>41</b> | <b>45 982 573</b>   | <b>55 720 900</b>        |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                    |           |                     |                          |
| Purchase of Property, Plant and Equipment                     |           | (52 002 669)        | (52 130 051)             |
| Proceeds on Disposals   |           | 260 400             | -                        |
| Purchase of Intangible Assets                                 | 15        | (330 391)           | (39 145)                 |
| Decrease/(Increase) in Long-term Receivables                  | 19        | (607 987)           | (3 130 863)              |
| Decrease/(Increase) in Non-current Investments                | 18        | -                   | -                        |
| <b>Net Cash from Investing Activities</b>                     |           | <b>(52 680 648)</b> | <b>(55 300 059)</b>      |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                    |           |                     |                          |
| Loans repaid  |           | (3 993 357)         | (3 545 007)              |
| New loans raised  |           | -                   | -                        |
| (Decrease)/Increase in Consumer Deposits                      |           | 606 217             | 491 112                  |
| <b>Net Cash from Financing Activities</b>                     |           | <b>(3 387 140)</b>  | <b>(3 053 895)</b>       |
| <b>NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS</b>  |           | <b>(10 085 214)</b> | <b>(2 633 054)</b>       |
| Cash and Cash Equivalents at the beginning of the year        |           | 71 282 129          | 73 915 183               |
| Cash and Cash Equivalents at the end of the year              | 42        | 61 196 915          | 71 282 129               |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |           | <b>(10 085 214)</b> | <b>(2 633 054)</b>       |



**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

|  | 2014<br>R<br>(Actual) | 2014<br>R<br>(Final Budget) | 2014<br>R<br>(Variance) | Explanations for material variances   |
|--|-----------------------|-----------------------------|-------------------------|---|
| <b>ASSETS</b>                            |                       |                             |                         |   |
| <b>Current assets</b>                    |                       |                             |                         |   |
| Cash                                     | 1 196 915             | 4 875 109                   | (3 678 194)             |   |
| Call investment deposits                 | 60 000 000            | 70 000 000                  | (10 000 000)            | Decrease in cash generated from operations.   |
| Consumer debtors                         | 37 124 272            | 21 751 951                  | 15 372 321              | Increase in consumer debtors.   |
| Other Receivables                        | 3 207 592             | 7 500 000                   | (4 292 408)             |   |
| Current portion of long-term receivables | 648 175               | 2 500 000                   | (1 851 825)             |   |
| Inventory                                | 22 878 957            | 15 000 000                  | 7 878 957               | Low Cost houses not handed over and not completed classified as Inventory.                          |
| <b>Total current assets</b>              | <u>125 055 911</u>    | <u>121 627 060</u>          | <u>3 428 850</u>        |   |
| <b>Non current assets</b>                |                       |                             |                         |   |
| Long-term receivables                    | 2 291 076             | 2 200 000                   | 91 076                  |   |
| Investments                              | 109 623               | 61 549                      | 48 074                  |   |
| Investment property                      | 27 339 948            | 26 500 000                  | 839 948                 |   |
| Property, plant and equipment            | 501 175 613           | 523 065 524                 | (21 889 911)            | Under expenditure on capital budget.  |
| Biological Assets                        | -                     | -                           | -                       |   |
| Intangible Assets                        | 545 165               | 700 000                     | (154 835)               |   |
| Heritage Assets                          | 649 000               | -                           | 649 000                 |   |
| <b>Total non current assets</b>          | <u>532 110 423</u>    | <u>552 527 073</u>          | <u>(20 416 650)</u>     |   |
| <b>TOTAL ASSETS</b>                      | <u>657 166 334</u>    | <u>674 154 133</u>          | <u>(16 987 799)</u>     |   |
| <b>LIABILITIES</b>                       |                       |                             |                         |   |
| <b>Current liabilities</b>               |                       |                             |                         |   |
| Bank overdraft                           | -                     | -                           | -                       |   |
| Borrowing                                | 4 136 068             | 3 160 111                   | 975 957                 |   |
| Consumer deposits                        | 7 176 811             | 7 500 000                   | (323 189)               |   |
| Trade and other payables                 | 48 531 695            | 43 514 000                  | 5 017 695               | Trade and Other payables realised higher than what was anticipated with the approval of the budget. |
| Provisions and Employee Benefits         | 12 831 427            | 26 000 000                  | (13 168 573)            |   |
| <b>Total current liabilities</b>         | <u>72 676 002</u>     | <u>80 174 111</u>           | <u>(7 498 109)</u>      |   |
| <b>Non current liabilities</b>           |                       |                             |                         |   |
| Borrowing                                | 28 640 804            | 27 490 144                  | 1 150 660               |   |
| Provisions and Employee Benefits         | 60 593 489            | 58 229 667                  | 2 363 823               |   |
| <b>Total non current liabilities</b>     | <u>89 234 293</u>     | <u>85 719 811</u>           | <u>3 514 483</u>        |   |
| <b>TOTAL LIABILITIES</b>                 | <u>161 910 295</u>    | <u>165 893 922</u>          | <u>(3 983 627)</u>      |   |
| <b>NET ASSETS</b>                        | <u>495 256 039</u>    | <u>508 260 211</u>          | <u>(13 004 173)</u>     |   |
| <b>COMMUNITY WEALTH</b>                  |                       |                             |                         |   |
| Accumulated Surplus/(Deficit)            | 458 116 621           | 467 218 304                 | (9 101 684)             | Accumulated Surplus realised lower than what was anticipated with the approval of the budget.       |
| Reserves                                 | 37 139 419            | 41 041 907                  | (3 902 488)             |   |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | <u>495 256 039</u>    | <u>508 260 211</u>          | <u>(13 004 172)</u>     |   |

**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

|  | 2014<br>R<br>(Approved Budget) | 2014<br>R<br>(Adjustments) | 2014<br>R<br>(Final Budget) | Explanations for material adjustments  |
|--|--------------------------------|----------------------------|-----------------------------|--|
| <b>ASSETS</b>                            |                                |                            |                             |  |
| <b>Current assets</b>                    |                                |                            |                             |  |
| Cash                                     | 9 061 000                      | (4 185 891)                | 4 875 109                   | Decrease in cash generated from operations.  |
| Call investment deposits                 | 85 000 000                     | (15 000 000)               | 70 000 000                  | Decrease in cash generated from operations.  |
| Consumer debtors                         | 21 751 951                     | -                          | 21 751 951                  |  |
| Other Receivables                        | 7 500 000                      | -                          | 7 500 000                   |  |
| Current portion of long-term receivables | 2 500 000                      | -                          | 2 500 000                   |  |
| Inventory                                | 15 000 000                     | -                          | 15 000 000                  |  |
| <b>Total current assets</b>              | <b>140 812 951</b>             | <b>(19 185 891)</b>        | <b>121 627 060</b>          |  |
| <b>Non current assets</b>                |                                |                            |                             |  |
| Long-term receivables                    | 2 200 000                      | -                          | 2 200 000                   |  |
| Investments                              | 61 549                         | -                          | 61 549                      |  |
| Investment property                      | 26 500 000                     | -                          | 26 500 000                  |  |
| Property, plant and equipment            | 498 009 998                    | 25 055 526                 | 523 065 524                 | During the adjustments budget the actual figures for 2012/2013 was taken in account as this was not known with the compilation of the original budget. |
| Biological Assets                        | -                              | -                          | -                           |  |
| Intangible Assets                        | 800 000                        | (100 000)                  | 700 000                     |  |
| Heritage Assets                          | -                              | -                          | -                           |  |
| <b>Total non current assets</b>          | <b>527 571 547</b>             | <b>24 955 526</b>          | <b>552 527 073</b>          |  |
| <b>TOTAL ASSETS</b>                      | <b>668 384 498</b>             | <b>5 769 635</b>           | <b>674 154 133</b>          |  |
| <b>LIABILITIES</b>                       |                                |                            |                             |  |
| <b>Current liabilities</b>               |                                |                            |                             |  |
| Bank overdraft                           | -                              | -                          | -                           |  |
| Borrowing                                | 3 160 111                      | -                          | 3 160 111                   |  |
| Consumer deposits                        | 7 500 000                      | -                          | 7 500 000                   |  |
| Trade and other payables                 | 43 514 000                     | -                          | 43 514 000                  |  |
| Provisions and Employee Benefits         | 26 000 000                     | -                          | 26 000 000                  |  |
| <b>Total current liabilities</b>         | <b>80 174 111</b>              | <b>-</b>                   | <b>80 174 111</b>           |  |
| <b>Non current liabilities</b>           |                                |                            |                             |  |
| Borrowing                                | 27 490 144                     | -                          | 27 490 144                  |  |
| Provisions and Employee Benefits         | 58 229 667                     | -                          | 58 229 667                  |  |
| <b>Total non current liabilities</b>     | <b>85 719 811</b>              | <b>-</b>                   | <b>85 719 811</b>           |  |
| <b>TOTAL LIABILITIES</b>                 | <b>165 893 922</b>             | <b>-</b>                   | <b>165 893 922</b>          |  |
| <b>NET ASSETS</b>                        | <b>502 490 576</b>             | <b>5 769 635</b>           | <b>508 260 211</b>          |  |
| <b>COMMUNITY WEALTH</b>                  |                                |                            |                             |  |
| Accumulated Surplus/(Deficit)            | 473 480 336                    | (6 262 032)                | 467 218 304                 |  |
| Reserves                                 | 29 010 240                     | 12 031 667                 | 41 041 907                  |  |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | <b>502 490 576</b>             | <b>5 769 635</b>           | <b>508 260 211</b>          |  |

**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

|   | 2014<br>R<br>(Actual) | 2014<br>R<br>(Final Budget) | 2014<br>R<br>(Variance) | Explanations for material variances  |
|---|-----------------------|-----------------------------|-------------------------|--|
| <b>REVENUE BY SOURCE</b>                        |                       |                             |                         |  |
| Property rates                                  | 32 283 527            | 32 426 480                  | (142 953)               |  |
| Property rates - penalties & collection charges |                       | -                           | -                       |  |
| Service charges                                 | 294 331 373           | 313 104 220                 | (18 772 847)            | Decrease in electricity sales  |
| Rental of facilities and equipment              | 2 053 464             | 2 516 100                   | (462 636)               |  |
| Interest earned - external investments          | 2 843 597             | 2 000 600                   | 842 997                 |  |
| Interest earned - outstanding debtors           | 3 286 837             | 1 710 720                   | 1 576 117               |  |
| Dividends received                              |                       | -                           | -                       |  |
| Actuarial Gains                                 | 291 583               |                             | 291 583                 |  |
| Fair Value Adjustments                          | 19 005                |                             | 19 005                  |  |
| Fines   | 10 845 894            | 2 142 610                   | 8 703 284               | Correct implementation of GRAP 23 and IGRAP 1 on Traffic Fines                                     |
| Impairment Reversal                             | -                     |                             | -                       |  |
| Stock Adjustments                               | -                     |                             | -                       |  |
| Licences and permits                            | 1 077 339             | 1 369 670                   | (292 331)               |  |
| Agency services                                 | 2 489 816             | 2 126 090                   | 363 726                 |  |
| Government Grants and Subsidies                 | 100 526 394           | 108 819 743                 | (8 293 350)             | Under spending of R6.9M on Human Settlements Development Grant (Did not receive entire allocation) |
| Other revenue                                   | 12 605 112            | 15 716 490                  | (3 111 378)             |  |
| Gains on disposal of PPE                        | -                     | -                           | -                       |  |
| <b>Total Operating Revenue</b>                  | <b>462 653 942</b>    | <b>481 932 723</b>          | <b>(19 278 782)</b>     |  |
| <b>EXPENDITURE BY TYPE</b>                      |                       |                             |                         |  |
| Employee related costs                          | 129 208 326           | 131 927 160                 | (2 718 834)             | Saving on employee related costs   |
| Remuneration of councillors                     | 7 714 307             | 7 967 430                   | (253 123)               |  |
| Debt impairment                                 | 14 798 877            | 7 923 690                   | 6 875 187               | Implementation of IGRAP 1.   |
| Depreciation & asset impairment                 | 19 970 964            | 17 627 930                  | 2 343 034               |  |
| Finance charges                                 | 7 569 829             | 6 779 750                   | 790 079                 |  |
| Bulk purchases                                  | 184 970 315           | 195 454 720                 | (10 484 405)            | Decrease in consumer demand for electricity  |
| Other materials                                 | 14 855 602            | 13 660 797                  | 1 194 805               |  |
| Contracted services                             | 1 179 569             | 1 488 620                   | (309 051)               |  |
| Grants and subsidies paid                       | -                     | 86 790                      | (86 790)                |  |
| Other expenditure                               | 60 785 861            | 72 410 195                  | (11 624 334)            | Saving on general expenses   |
| Loss on disposal of PPE                         | 234 697               | -                           | 234 697                 |  |
| <b>Total Operating Expenditure</b>              | <b>441 288 348</b>    | <b>455 327 082</b>          | <b>(14 038 734)</b>     |  |
| <b>Operating Surplus for the year</b>           | <b>21 365 594</b>     | <b>26 605 642</b>           | <b>(5 240 048)</b>      |  |

**LANGEBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

|   | 2014<br>R<br>(Approved Budget) | 2014<br>R<br>(Adjustments) | 2014<br>R<br>(Final Budget) | 2014<br>R<br>(Final Virements) | 2014<br>R<br>(Final Year-end Budget) | Reasons for material adjustments   |
|---|--------------------------------|----------------------------|-----------------------------|--------------------------------|--------------------------------------|--|
| <b>REVENUE BY SOURCE</b>                        |                                |                            |                             |                                |                                      |  |
| Property rates                                  | 32 426 480                     | -                          | 32 426 480                  | -                              | 32 426 480                           |  |
| Property rates - penalties & collection charges |                                | -                          | -                           | -                              | -                                    |  |
| Service charges                                 | 316 034 220                    | (2 930 000)                | 313 104 220                 | -                              | 313 104 220                          |  |
| Rental of facilities and equipment              | 1 809 970                      | 706 130                    | 2 516 100                   | -                              | 2 516 100                            |  |
| Interest earned - external investments          | 4 213 600                      | (2 213 000)                | 2 000 600                   | -                              | 2 000 600                            |  |
| Interest earned - outstanding debtors           | 1 710 720                      | -                          | 1 710 720                   | -                              | 1 710 720                            |  |
| Dividends received                              |                                | -                          | -                           | -                              | -                                    |  |
| Fines   | 2 167 610                      | (25 000)                   | 2 142 610                   | -                              | 2 142 610                            |  |
| Licences and permits                            | 1 414 670                      | (45 000)                   | 1 369 670                   | -                              | 1 369 670                            |  |
| Agency services                                 | 1 265 090                      | 861 000                    | 2 126 090                   | -                              | 2 126 090                            |  |
| Transfers recognised                            | 82 081 000                     | 26 738 743                 | 108 819 743                 | -                              | 108 819 743                          | On the budget schedules Transfers Recognised Capital was disclosed under a separate line item. |
| Other revenue                                   | 14 201 790                     | 1 514 700                  | 15 716 490                  | -                              | 15 716 490                           |  |
| Gains on disposal of PPE                        | -                              | -                          | -                           | -                              | -                                    |  |
| <b>Total Operating Revenue</b>                  | <b>457 325 150</b>             | <b>24 607 573</b>          | <b>481 932 723</b>          | <b>-</b>                       | <b>481 932 723</b>                   |  |
| <b>EXPENDITURE BY TYPE</b>                      |                                |                            |                             |                                |                                      |  |
| Employee related costs                          | 128 729 940                    | 3 197 220                  | 131 927 160                 | -                              | 131 927 160                          |  |
| Remuneration of councillors                     | 7 967 430                      | -                          | 7 967 430                   | -                              | 7 967 430                            |  |
| Debt impairment                                 | 7 923 690                      | -                          | 7 923 690                   | -                              | 7 923 690                            |  |
| Depreciation & asset impairment                 | 17 367 310                     | 260 620                    | 17 627 930                  | -                              | 17 627 930                           |  |
| Finance charges                                 | 6 697 650                      | 82 100                     | 6 779 750                   | -                              | 6 779 750                            |  |
| Bulk purchases                                  | 201 454 720                    | (6 000 000)                | 195 454 720                 | -                              | 195 454 720                          | The demand for electricity realised lower than what was anticipated in the original budget.    |
| Other materials                                 |                                | -                          | -                           | -                              | -                                    |  |
| Contracted services                             | 2 188 620                      | (700 000)                  | 1 488 620                   | (189 172)                      | 1 299 447                            |  |
| Grants and subsidies paid                       | 86 790                         | -                          | 86 790                      | -                              | 86 790                               |  |
| Other expenditure                               | 83 596 900                     | 2 474 092                  | 86 070 992                  | 189 172                        | 86 260 164                           |  |
| Loss on disposal of PPE                         | -                              | -                          | -                           | -                              | -                                    |  |
| <b>Total Operating Expenditure</b>              | <b>456 013 050</b>             | <b>-685 968</b>            | <b>455 327 082</b>          | <b>0</b>                       | <b>455 327 081</b>                   |  |
| <b>Operating Surplus for the year</b>           | <b>1 312 100</b>               | <b>25 293 542</b>          | <b>26 605 642</b>           | <b>(0)</b>                     | <b>26 605 642</b>                    |  |

**LANEGERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

|  | 2014<br>R<br>(Actual) | 2014<br>R<br>(Final Budget) | 2014<br>R<br>(Variance) | Explanations for material variances  |
|--|-----------------------|-----------------------------|-------------------------|--|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                       |                             |                         |  |
| <b>Receipts</b>  |                       |                             |                         |  |
| Ratepayers and other                                   | 341 136 748           | 318 786 453                 | 22 350 295              | Decrease in cash generated from operations.  |
| Government - operating                                 | 73 622 193            | 82 445 055                  | (8 822 862)             | Under spending of R6.9M on Human Settlements Development Grant (Did not receive entire allocation) |
| Government - capital                                   | 19 007 962            | 22 733 945                  | (3 725 983)             | Under expenditure on capital budget  |
| Interest   | 2 788 989             | 2 000 600                   | 788 389                 |  |
| Dividends  | -                     | -                           | -                       |  |
| <b>Payments</b>  |                       |                             |                         |  |
| Suppliers and Employees                                | (387 244 505)         | (357 097 138)               | (30 147 367)            | Decrease in cash generated from operations.  |
| Finance charges  | (3 328 813)           | (6 779 750)                 | 3 450 937               |  |
| Transfers and Grants                                   | -                     | (86 790)                    | 86 790                  |  |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>       | <b>45 982 573</b>     | <b>62 002 375</b>           | <b>(16 019 802)</b>     |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                       |                             |                         |  |
| <b>Receipts</b>  |                       |                             |                         |  |
| Proceeds on disposal of Assets                         | 260 400               | -                           | 260 400                 |  |
| Decrease/(increase) in non-current receivables         | (607 987)             | -                           | (607 987)               |  |
| Decrease/(increase) in non-current investments         | -                     | -                           | -                       |  |
| <b>Payments</b>  |                       |                             |                         |  |
| Capital assets   | (52 333 060)          | (57 411 786)                | 5 078 726               | Underspending on capital projects.   |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>       | <b>(52 680 648)</b>   | <b>(57 411 786)</b>         | <b>4 731 138</b>        |  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                       |                             |                         |  |
| <b>Receipts</b>  |                       |                             |                         |  |
| Borrowing  | (3 993 357)           | -                           | (3 993 357)             |  |
| Increase/(decrease) in consumer deposits               | 606 217               | 2 162 502                   | (1 556 285)             |  |
| <b>Payments</b>  |                       |                             |                         |  |
| Repayment of borrowing                                 | -                     | (3 160 111)                 | 3 160 111               |  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>       | <b>(3 387 140)</b>    | <b>(997 609)</b>            | <b>-2 389 531</b>       |  |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            | <b>(10 085 214)</b>   | <b>3 592 980</b>            | <b>(13 678 194)</b>     |  |
| Cash and Cash Equivalents at the beginning of the year | 71 282 129            | 71 282 129                  | 0                       |  |
| Cash and Cash Equivalents at the end of the year       | 61 196 915            | 74 875 109                  | (13 678 194)            |  |

**LANEGERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

|  | 2014<br>R<br>(Approved Budget) | 2014<br>R<br>(Adjustments) | 2014<br>R<br>(Final Budget) | Reasons for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|----------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                                |                            |                             |                                  |
| <b>Receipts</b>  |                                |                            |                             |                                  |
| Ratepayers and other                                   | 319 606 236                    | (819 783)                  | 318 786 453                 |                                  |
| Government - operating                                 | 81 015 740                     | 1 429 315                  | 82 445 055                  |                                  |
| Government - capital                                   | 21 365 360                     | 1 368 585                  | 22 733 945                  |                                  |
| Interest   | 4 213 600                      | (2 213 000)                | 2 000 600                   |                                  |
| Dividends  | -                              | -                          | -                           |                                  |
| <b>Payments</b>  |                                |                            |                             |                                  |
| Suppliers and Employees                                | (358 328 858)                  | 1 231 720                  | (357 097 138)               |                                  |
| Finance charges  | (6 697 650)                    | (82 100)                   | (6 779 750)                 |                                  |
| Transfers and Grants                                   | (86 790)                       | -                          | (86 790)                    |                                  |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>       | <b>61 087 638</b>              | <b>914 737</b>             | <b>62 002 375</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   | (53 589 730)                   | (3 822 056)                | (57 411 786)                |                                  |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>       | <b>(53 589 730)</b>            | <b>(3 822 056)</b>         | <b>(57 411 786)</b>         |                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                                |                            |                             |                                  |
| <b>Receipts</b>  |                                |                            |                             |                                  |
| Borrowing  | -                              | -                          | -                           |                                  |
| Increase/(decrease) in consumer deposits               | 2 162 502                      | -                          | 2 162 502                   |                                  |
| <b>Payments</b>  |                                |                            |                             |                                  |
| Repayment of borrowing                                 | (3 160 111)                    | -                          | (3 160 111)                 |                                  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>       | <b>(997 609)</b>               | <b>-</b>                   | <b>(997 609)</b>            |                                  |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            | <b>6 500 299</b>               | <b>(2 907 319)</b>         | <b>3 592 980</b>            |                                  |
| Cash and Cash Equivalents at the beginning of the year | 87 560 701                     | (16 278 572)               | 71 282 129                  |                                  |
| Cash and Cash Equivalents at the end of the year       | 94 061 000                     | (19 185 891)               | 74 875 109                  |                                  |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**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).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

| <b>Standard</b>           | <b>Description</b> | <b>Effective Date</b> |
|---------------------------|--------------------|-----------------------|
| GRAP 5 (Revised Feb 2013) | Borrowing Costs    | 1 April 2014          |

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**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.

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<br/>(Revised – Nov 2010)</b> | <p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p> | <b>Unknown</b> |
| <b>GRAP 8<br/>(Revised – Nov 2010)</b> | <p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly</p>   | <b>Unknown</b> |

**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|   |  |                     |
|---|--|---------------------|
|   | <p>controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>  |                     |
| <b>GRAP 18</b><br>(Original – Feb 2011)   | <p><b>Segment Reporting</b><br/>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>   | <b>1 April 2015</b> |
| <b>GRAP 20</b><br>(Original – June 2011)  | <p><b>Related Party Disclosure</b><br/>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | <b>Unknown</b>      |
| <b>GRAP 32</b><br>(Original – Aug 2013)   | <p><b>Service Concession Arrangements: Grantor</b><br/>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>  | <b>Unknown</b>      |
| <b>GRAP 100</b><br>(Revised – April 2011) | <p><b>Discontinued Operations</b><br/>(Formerly known as Non-current assets held for Sale and Discontinued Operations).</p> <p>The recognition of – and disclosure requirements for Non-current assets held for sale will be removed and incorporated into Property, Plant and Equipment; Investment Properties or Intangible Assets.</p>  |                     |
| <b>GRAP 105</b><br>(Original – Nov 2010)  | <p><b>Transfer of Functions Between Entities Under Common Control</b><br/>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected, as no such transactions nor events are expected in the foreseeable future.</p>   | <b>1 April 2015</b> |
| <b>GRAP 106</b><br>(Original – Nov 2010)  | <p><b>Transfer of Functions Between Entities Not Under Common Control</b><br/>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected, as no such transactions</p>   | <b>1 April 2015</b> |

**LANGE BERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|  |   |                     |
|--|---|---------------------|
|  | nor events are expected in the foreseeable future.  |                     |
| <b>GRAP 107</b><br><b>(Original – Nov 2010)</b>  | <p><b>Mergers</b><br/>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected, as no such transactions nor events are expected in the foreseeable future.</p>  | <b>1 April 2015</b> |
| <b>GRAP 108</b><br><b>(Original – Sept 2013)</b> | <p><b>Statutory Receivables</b><br/>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>                                  | <b>Unknown</b>      |
| <b>IGRAP 11</b>                                  | <p><b>Consolidation - Special Purpose Entities (SPE)</b><br/>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>  | <b>Unknown</b>      |
| <b>IGRAP 12</b>                                  | <p><b>Jointly Controlled Entities non-monetary contributions</b><br/>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p> | <b>Unknown</b>      |

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

## **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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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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 liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

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

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

**1.11 UNSPENT PUBLIC CONTRIBUTIONS**

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of 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 the public contribution 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 receivable:

- 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 resources embodying economic benefit 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 benefit 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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- (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.

**1.14. 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 Gratuities**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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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.

**1.15. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**1.16. PROPERTY, PLANT AND EQUIPMENT**

**1.16.1 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, it's 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.

**1.16.2 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.

**1.16.3 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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|                                    | <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                 | 1-15         |
|                                    |              | 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.

**1.16.4 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.

**1.16.5 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.

**1.16.6 Capitalised Restoration Cost**

The Municipality treats the Capital Restoration Cost on landfill sites in the same manner as Property, Plant and Equipment in accordance with 1.16.1 to 1.16.5 of this Accounting Policy and depreciation is calculated on the depreciable amount, using the straight-line method and depreciated in full in the following reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**1.17. INTANGIBLE ASSETS**

**1.17.1 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, it's deemed cost is the carrying amount of the asset(s) given up.

**1.17.2 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.

**1.17.3 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:

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

#### **1.17.4 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.

#### **1.17.5 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. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

### **1.18. INVESTMENT PROPERTY**

#### **1.18.1 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.

#### **1.18.2 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.

#### **1.18.3 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| <u>Investment Property</u>   | <u>Years</u> |
|--|--------------|
| Buildings  | 1-100        |
| <b>1.18.4 De-recognition</b>   |              |
| 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. |              |
| <b>1.18.5 Application of deemed cost - Directive 7</b>   |              |
| 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.                |              |
| <b>1.19 HERITAGE ASSETS</b>  |              |
| <b>1.19.1 Initial Recognition</b>  |              |
| 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.   |              |
| <b>1.19.2 Subsequent Measurement – Cost Model</b>  |              |
| After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.   |              |
| <b>1.19.3 Depreciation and Impairment</b>  |              |
| 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.   |              |
| 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.   |              |
| <b>1.19.4 De-recognition</b>   |              |
| 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   |              |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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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.

**1.19.5 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.

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

**1.20.1 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.

**1.20.2 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.

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

**1.21.1 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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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.

**1.21.2 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 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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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.

**1.22. 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.

**1.23. INVENTORIES**

**1.23.1 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.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

**1.23.2 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**1.24. 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.

**1.24.1 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

**1.24.2 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.

**1.24.2.1 Trade and Other Receivables**

Trade and other receivables are classified as loans and receivables, and are subsequently measured 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**1.24.2.2** 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.

**1.24.2.3** 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.

**1.24.3 De-recognition of Financial Instruments**

**1.24.3.1** 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.

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.

**1.24.3.2** 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**1.24.4 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.

**1.25. REVENUE**

**1.25.1 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. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes. All unpaid receivables relating to traffic fines as at 30 June 2013 was written off in the 2013/2014 financial year.

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.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

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,

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

**1.25.2 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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

**1.25.3 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.

**1.26. TRANSFER OF FUNCTION (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality 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 Municipality or from other rights and obligations.
- The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:
  - (a) identifying the acquirer (Municipality);
  - (b) determining the acquisition date;
  - (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
  - (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

**1.27. 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.

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.

**1.28. 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.

**1.29. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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**1.30. 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.

**1.31. 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.

Management judgement is required when recognising and measuring contingent liabilities.

**1.32. PRESENTATION OF BUDGET INFORMATION**

GRAP 24: Presentation of Budget Information is applied.

**1.33. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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.

***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 1.25.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.25.2 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. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Pre-paid electricity estimation:***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**1.34. 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.

**1.35. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.36. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect

**1.37. 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.

|          |  | 2014<br>R         | 2013<br>R                           |
|----------|--|-------------------|-------------------------------------|
| <b>2</b> | <b>NET ASSET RESERVES</b>  |                   |                                     |
|          | Capital Replacement Reserve  | 37 139 419        | 42 715 822                          |
|          | <b>Total Net Asset Reserves</b>  | <b>37 139 419</b> | <b>42 715 822</b>                   |
| <b>3</b> | <b>LONG-TERM LIABILITIES</b>   |                   |                                     |
|          | Annuity Loans - At amortised cost  | 31 730 018        | 34 960 063                          |
|          | Capitalised Lease Liability - At amortised cost  | 1 834 421         | 2 330 637                           |
|          |  | <b>33 564 440</b> | <b>37 290 700</b>                   |
|          | Current Portion transferred to Current Liabilities   | <b>4 136 068</b>  | <b>4 242 681</b>                    |
|          | Annuity Loans - At amortised cost  | 3 274 162         | 3 522 662                           |
|          | Capitalised Lease Liability - At amortised cost  | 861 906           | 720 019                             |
|          |  | <b>29 428 372</b> | <b>33 048 019</b>                   |
|          | Unamortised charges on loans   | (787 568)         | (844 061)                           |
|          | Balance 1 July   | 844 061           | 880 380                             |
|          | Adjustment for the period  | (56 494)          | (36 319)                            |
|          | <b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>              | <b>28 640 804</b> | <b>32 203 958</b>                   |
|          | Refer below for maturity dates of long term liabilities:   |                   |                                     |
|          | The obligations under annuity loans are scheduled below:   |                   | <b>Minimum<br/>annuity payments</b> |
|          | Amounts payable under annuity loans:   |                   |                                     |
|          | Payable within one year  | 6 342 903         | 6 497 788                           |
|          | Payable within two to five years   | 25 125 198        | 25 299 267                          |
|          | Payable after five years   | 13 505 708        | 19 674 542                          |
|          |  | 44 973 809        | 51 471 597                          |
|          | <b>Less:</b> Future finance obligations  | (13 243 790)      | (16 511 534)                        |
|          | <b>Present value of annuity obligations</b>  | <b>31 730 018</b> | <b>34 960 063</b>                   |
|          | Annuity loans at amortised cost is calculated at 9.29% interest rate, with a maturity date of 31 March 2023. |                   |                                     |
|          | The obligations under finance leases are scheduled below:  |                   | <b>Minimum<br/>lease payments</b>   |
|          | Amounts payable under finance leases:  |                   |                                     |
|          | Payable within one year  | 1 037 583         | 966 349                             |
|          | Payable within two to five years   | 1 038 432         | 1 843 312                           |
|          | Payable after five years   | -                 | -                                   |
|          |  | 2 076 015         | 2 809 661                           |
|          | <b>Less:</b> Future finance obligations  | (241 594)         | (479 024)                           |
|          | <b>Present value of lease obligations</b>  | <b>1 834 421</b>  | <b>2 330 637</b>                    |

# NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

The capitalised lease liability consist out of the following contracts:

| <u>Supplier</u> | <u>Description of leased item</u> | <u>Effective Interest rate</u> | <u>Annual Escalation</u> | <u>Lease Term</u> | <u>Maturity Date</u> |
|-----------------|-----------------------------------|--------------------------------|--------------------------|-------------------|----------------------|
| 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 B223 - G041101050         | 10.50%                         | 0%                       | 36 months         | 2016/03/31           |
| SASFIN          | Xerox WC5330 - 3322715985         | 15.00%                         | 0%                       | 36 months         | 2015/07/25           |
| SASFIN          | Xerox WC7535 - 3906110325         | 8.50%                          | 0%                       | 36 months         | 2015/12/04           |
| SASFIN          | Xerox CQ9303 - 3661801750         | 8.50%                          | 0%                       | 36 months         | 2016/03/25           |
| SASFIN          | Xerox CQ9303 - 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) - N492Z13192     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N493215409     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N492Z13124     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N493215435     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N492Y12198     | 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) - N492Y12209     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N493215170     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N493215209     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N492Y12204     | 14.50%                         | 0%                       | 36 months         | 2016/06/25           |
| SASFIN          | TASKalfa (Black) - N492Y12189     | 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) - N492Z13169     | 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) - N492Z13140     | 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           |
| SASFIN          | TASKalfa (FS 1135 MFP) - NR73674  | 6.00%                          | 0%                       | 24 months         | 2016/06/25           |
| SASFIN          | TASKalfa (FS 1135 MFP) - NR72531  | 6.00%                          | 0%                       | 24 months         | 2016/06/25           |
| SASFIN          | TASKalfa (FS 1135 MFP) - NR72531  | 6.00%                          | 0%                       | 24 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

| 4 | EMPLOYEE BENEFITS   | 2014<br>R         | 2013<br>R         |
|---|---|-------------------|-------------------|
|   | Post Retirement Benefits - Refer to Note 4.1  | 47 581 193        | 39 158 817        |
|   | Long Service Awards - Refer to Note 4.2   | 7 775 009         | 7 220 591         |
|   | <b>Total Non-current Employee Benefit Liabilities</b>   | <b>55 356 202</b> | <b>46 379 408</b> |
|   | <b><u>Post Retirement Benefits</u></b>  | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|   | Balance 1 July  | 40 489 701        | 38 093 900        |
|   | Contribution for the year   | 2 297 883         | 1 952 776         |
|   | Interest Cost   | 3 493 189         | 2 977 342         |
|   | Expenditure for the year  | (1 407 828)       | (1 283 328)       |
|   | Actuarial Loss / (Gain)   | 4 230 244         | (1 250 989)       |
|   | <b>Total post retirement benefits 30 June</b>   | <b>49 103 189</b> | <b>40 489 701</b> |
|   | <b>Less:</b> Transfer of Current Portion - Note 7   | (1 521 996)       | (1 330 884)       |
|   | <b>Balance 30 June</b>  | <b>47 581 193</b> | <b>39 158 817</b> |
|   | <b><u>Long Service Awards</u></b>   |                   |                   |
|   | Balance 1 July  | 8 234 260         | 7 275 691         |
|   | Contribution for the year   | 683 791           | 629 313           |
|   | Interest Cost   | 565 708           | 458 416           |
|   | Expenditure for the year  | (721 230)         | (402 646)         |
|   | Actuarial Loss / (Gain)   | (291 583)         | 273 486           |
|   | <b>Total long service 30 June</b>   | <b>8 470 946</b>  | <b>8 234 260</b>  |
|   | <b>Less:</b> Transfer of Current Portion - Note 7   | (695 937)         | (1 013 669)       |
|   | <b>Balance 30 June</b>  | <b>7 775 009</b>  | <b>7 220 591</b>  |
|   | <b>Balance previously reported (Note 4)</b>   |                   | 6 475 246         |
|   | Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company - Refer to note 40.2 |                   | 1 767 474         |
|   | Correction of Error Current Interest Cost   |                   | 114 274           |
|   | Correction of Error Current Service Cost  |                   | (20 932)          |
|   | Correction of Error Actuarial Loss  |                   | (101 802)         |
|   |   |                   | <b>8 234 260</b>  |
|   | <b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>   |                   |                   |
|   | Balance 1 July  | 48 723 961        | 45 369 591        |
|   | Contribution for the year   | 2 981 674         | 2 582 089         |
|   | Interest cost   | 4 058 897         | 3 435 758         |
|   | Expenditure for the year  | (2 129 058)       | (1 685 974)       |
|   | Net Actuarial Loss / (Gain)   | 3 938 661         | (977 503)         |
|   | <b>Total employee benefits 30 June</b>  | <b>57 574 135</b> | <b>48 723 961</b> |
|   | <b>Less:</b> Transfer of Current Portion - Note 7   | (2 217 933)       | (2 344 553)       |
|   | <b>Balance 30 June</b>  | <b>55 356 202</b> | <b>46 379 408</b> |



4.1 Post Retirement Benefits

|  | 2014       | 2013       |
|--|------------|------------|
| The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows: |            |            |
| In-service (employee) members  | 177        | 171        |
| In-service (employee) non-members  | 502        | 516        |
| Continuation members (e.g. Retirees, widows, orphans)  | 53         | 51         |
| <b>Total Members</b>   | <b>732</b> | <b>738</b> |

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

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| In-service members     | 28 192 606        | 22 129 363        |
| Continuation members   | 20 910 583        | 18 360 338        |
| <b>Total Liability</b> | <b>49 103 189</b> | <b>40 489 701</b> |

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

|                        | 2012<br>R         | 2011<br>R         | 2010<br>R         |
|------------------------|-------------------|-------------------|-------------------|
| In-service members     | 21 696 401        | 18 509 610        | 15 153 335        |
| Continuation members   | 16 397 499        | 13 304 398        | 13 012 335        |
| <b>Total Liability</b> | <b>38 093 900</b> | <b>31 814 008</b> | <b>28 165 670</b> |

|  | 2014<br>Rm | 2013<br>Rm | 2012<br>Rm | 2011<br>Rm |
|--|------------|------------|------------|------------|
| Experience adjustments were calculated as follows: |            |            |            |            |
| Liabilities: (Gain) / loss                         | 2.680      | (0.825)    | (0.861)    | (1.843)    |
| Assets: Gain / (loss)                              | 0.000      | 0.000      | 0.000      | 0.000      |

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

Bonitas;  
Hosmed  
LA Health  
Samwumed; and  
Keyhealth.

|                                 | 2014<br>% | 2013<br>% |
|---------------------------------|-----------|-----------|
| Key actuarial assumptions used: |           |           |
| i) <b>Rate of interest</b>      |           |           |
| Discount rate                   | 9.00%     | 8.77%     |
| Health Care Cost Inflation Rate | 8.17%     | 7.74%     |
| Net Effective Discount Rate     | 0.77%     | 0.96%     |

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

ii) **Mortality rates**

The PA 90 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.

4

EMPLOYEE BENEFITS (CONTINUE)

|   | 2014<br>R         | 2013<br>R         |
|---|-------------------|-------------------|
| The amounts recognised in the Statement of Financial Position are as follows: |                   |                   |
| Present value of fund obligations   | 49 103 189        | 40 489 701        |
| <b>Net liability/(asset)</b>  | <b>49 103 189</b> | <b>40 489 701</b> |

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

|   |                   |                   |
|---|-------------------|-------------------|
| Present value of fund obligation at the beginning of the year | 40 489 701        | 38 093 900        |
| Total expenses  | 4 383 244         | 3 646 790         |
| Current service cost  | 2 297 883         | 1 952 776         |
| Interest Cost   | 3 493 189         | 2 977 342         |
| Benefits Paid   | (1 407 828)       | (1 283 328)       |
| Actuarial Loss / (Gain)                                       | 4 230 244         | (1 250 989)       |
| Present value of fund obligation at the end of the year       | 49 103 189        | 40 489 701        |
| <b>Less:</b> Transfer of Current Portion - Note 7             | (1 521 996)       | (1 330 884)       |
| <b>Balance 30 June</b>  | <b>47 581 193</b> | <b>39 158 817</b> |

Sensitivity Analysis on the Accrued Liability

| Assumption          | In-service<br>members<br>liability<br>(Rm) | Continuation<br>members<br>liability<br>(Rm) | Total liability<br>(Rm) | % change |
|---------------------|--|--|-------------------------|----------|
| Central Assumptions | 28.193                                     | 20.911                                       | 49.103                  | -        |

The effect of movements in the assumptions are as follows:

| Assumption                | Change  | In-service<br>members<br>liability<br>(Rm) | Continuation<br>members<br>liability<br>(Rm) | Total liability<br>(Rm) | % change |
|---------------------------|---------|--|--|-------------------------|----------|
| Health care inflation     | 1%      | 33.391                                     | 23.044                                       | 56.435                  | 15%      |
| Health care inflation     | -1%     | 23.903                                     | 19.046                                       | 42.949                  | -13%     |
| Discount rate             | 1%      | 23.709                                     | 19.074                                       | 42.783                  | -13%     |
| Discount rate             | -1%     | 33.953                                     | 23.049                                       | 57.002                  | 16%      |
| Post-retirement mortality | -1 year | 29.152                                     | 21.804                                       | 50.956                  | 4%       |
| Average retirement age    | -1 year | 30.512                                     | 20.911                                       | 51.423                  | 5%       |
| Withdrawal Rate           | -50%    | 21.57                                      | 20.911                                       | 42.481                  | -13%     |

4 EMPLOYEE BENEFITS (CONTINUE)

| Assumption                | Change  | Current-service Cost | Interest Cost | Total       | % change    |
|---------------------------|---------|----------------------|---------------|-------------|-------------|
| Central Assumptions       |         | 2 297 900            | 3 493 200     | 5 791 100   | -           |
| Health care inflation     | 1%      | 2 688 700            | 3 979 700     | 6 668 400   | 15%         |
| Health care inflation     | -1%     | 1 953 400            | 3 066 900     | 5 020 300   | -13%        |
| Post-retirement mortality | -1 year | 2 371 800            | 3 624 600     | 5 996 400   | 4%          |
| Average retirement age    | -1 year | 2 561 000            | 3 662 000     | 6 223 000   | 7%          |
| Withdrawal Rate           | -50%    | 2 594 700            | 3 678 400     | 6 273 100   | 8%          |
|                           |         |                      |               | <b>2014</b> | <b>2013</b> |

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.

|     |     |
|-----|-----|
| 664 | 675 |
|-----|-----|

Key actuarial assumptions used:

|             |             |
|-------------|-------------|
| <b>2014</b> | <b>2013</b> |
| %           | %           |

i) Rate of interest

|  |       |       |
|--|-------|-------|
| Discount rate  | 7.98% | 7.31% |
| General Salary Inflation (long-term)                                       | 7.10% | 6.79% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.82% | 0.49% |

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

|             |             |
|-------------|-------------|
| <b>2014</b> | <b>2013</b> |
| R           | R           |

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

Present value of fund obligations

|           |           |
|-----------|-----------|
| 8 470 946 | 8 234 260 |
|-----------|-----------|

Net liability

|                  |                  |
|------------------|------------------|
| <b>8 470 946</b> | <b>8 234 260</b> |
|------------------|------------------|

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

|                        |                  |                  |                  |
|------------------------|------------------|------------------|------------------|
|                        | <b>2012</b>      | <b>2011</b>      | <b>2010</b>      |
|                        | R                | R                | R                |
| <b>Total Liability</b> | <b>7 275 691</b> | <b>4 853 520</b> | <b>4 016 492</b> |

|             |             |             |             |
|-------------|-------------|-------------|-------------|
| <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Rm          | Rm          | Rm          | Rm          |

Experience adjustments were calculated as follows:

|                            |         |         |           |         |
|----------------------------|---------|---------|-----------|---------|
| Liabilities: (Gain) / loss | 217 727 | 163 567 | (102 179) | 102,483 |
| Assets: Gain / (loss)      | 0.000   | 0.000   | 0.000     | 0.000   |

Reconciliation of present value of fund obligation:

|             |             |
|-------------|-------------|
| <b>2014</b> | <b>2013</b> |
| R           | R           |

Present value of fund obligation at the beginning of the year

|           |           |
|-----------|-----------|
| 8 234 260 | 7 275 691 |
|-----------|-----------|

Total expenses

|         |         |
|---------|---------|
| 528 269 | 685 083 |
|---------|---------|

Current service cost

|               |           |
|---------------|-----------|
| 683 791       | 629 313   |
| Interest Cost | 565 708   |
| Benefits Paid | (721 230) |

Actuarial Loss / (Gain)

|           |         |
|-----------|---------|
| (291 583) | 273 486 |
|-----------|---------|

Present value of fund obligation at the end of the year

|           |           |
|-----------|-----------|
| 8 470 946 | 8 234 260 |
|-----------|-----------|

**Less:** Transfer of Current Portion - Note 7

|           |             |
|-----------|-------------|
| (695 937) | (1 013 669) |
|-----------|-------------|

Balance 30 June

|                  |                  |
|------------------|------------------|
| <b>7 775 009</b> | <b>7 220 591</b> |
|------------------|------------------|

## EMPLOYEE BENEFITS (CONTINUE)

## Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption               | Change   | Liability (Rm) | % change |
|--------------------------|----------|----------------|----------|
| Central assumptions      |          | 8 471          | -        |
| General salary inflation | 1%       | 9 046          | 7%       |
| General salary inflation | -1%      | 7 950          | -6%      |
| Discount rate            | 1%       | 7 926          | -6%      |
| Discount rate            | -1%      | 9 085          | 7%       |
| Average retirement age   | -2 years | 7 327          | -14%     |
| Average retirement age   | +2 years | 9 827          | 16%      |
| Withdrawal rates         | -50%     | 10 164         | 20%      |

| Assumption                | Change   | Current-service Cost | Interest Cost | Total     | % change |
|---------------------------|----------|----------------------|---------------|-----------|----------|
| Central Assumptions       |          | 706 500              | 650 200       | 1 356 700 | -        |
| Health care inflation     | 1%       | 767 900              | 694 300       | 1 462 200 | 8%       |
| Health care inflation     | -1%      | 651 900              | 607 100       | 1 259 000 | -7%      |
| Discount rate             | 1%       | 650 000              | 681 000       | 1 331 000 | -2%      |
| Discount rate             | -1%      | 771 400              | 610 000       | 1 381 400 | 2%       |
| Post-retirement mortality | -2 years | 621 600              | 557 200       | 1 178 800 | -13%     |
| Average retirement age    | +2 years | 802 500              | 756 700       | 1 559 200 | 15%      |
| Withdrawal Rate           | -50%     | 948 000              | 783 600       | 1 731 600 | 28%      |

## 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 claimed 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 disclosures has been made as defined in GRAP 25.31.

| <u>CAPE JOINT PENSION FUND</u>                                     | Last Actuarial Valuation | Total Assets R'000 | Total liabilities R'000 | Contributing members of Langeberg Municipality |
|--|--------------------------|--------------------|-------------------------|--|
| The contribution rate payable is 9% by members and 18% by Council. | June 2013                | 3 226 863          | 3 198 799               | 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

31 501

103 716

| <u>CAPE RETIREMENT FUND</u>  | Last Actuarial Valuation | Total Assets R'000 | Total liabilities R'000 | Contributing members of Langeberg Municipality |
|--|--------------------------|--------------------|-------------------------|--|
| The contribution rate payable is 9% by members and 18% by Council. | June 2013                | 12 980 423         | 12 948 998              | 543  |

4 EMPLOYEE BENEFITS (CONTINUE)

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

|   |            |            |
|---|------------|------------|
| Contributions paid recognised in the Statement of Financial Performance | 18 424 208 | 16 736 699 |
|---|------------|------------|

**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<br>Actuarial<br>Valuation | Total<br>Assets<br>R'000 | Total<br>liabilities<br>R'000 | Contributing<br>members of<br>Langeberg<br>Municipality |
|--|--------------------------------|--------------------------|-------------------------------|---|
| <b><u>South African Local Authorities Pension Fund</u></b> | July 2013                      | 10 680 700               | 10 439 200                    | 27  |
| <b><u>Municipal Councillors Pension Fund</u></b>           | June 2012                      | 1 172 149                | 1 183 539                     | -   |
| <b><u>SAMWU National Provident Fund</u></b>                | June 2008                      | 2 771 505                | 2 455 947                     | 102   |

Note: The results of the actuarial valuations dated 30 June 2008 for SAMWU National Provident Fund and 30 June 2012 for Municipal Councillors Pension Funds are not yet available.

|   |                         |                         |
|---|-------------------------|-------------------------|
| Contributions paid recognised in the Statement of Financial Performance |                         |                         |
| Sala Pension Fund   | 1 228 464               | 1 108 197               |
| Municipal Councillors Pension Fund                                      | -                       | -                       |
| SAMWU National Provident Fund   | 2 504 667               | 2 681 411               |
|   | <b><u>3 733 131</u></b> | <b><u>3 789 608</u></b> |

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| 5 | <b>NON-CURRENT PROVISIONS</b>                  | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|---|--|-------------------|-------------------|
|   | Provision for Rehabilitation of Landfill-sites | 5 237 287         | 4 424 361         |
|   | <b>Total Non-current Provisions</b>            | <b>5 237 287</b>  | <b>4 424 361</b>  |

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

| <u><b>Landfill Sites</b></u>  | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|---|-------------------|-------------------|
| Balance 1 July  | 5 070 541         | 4 387 785         |
| Contribution for the year   | 455 297           | 417 702           |
| Expenditure incurred (Interest)   | 126 761           | 265 054           |
| <b>Total provision 30 June</b>  | <b>5 652 599</b>  | <b>5 070 541</b>  |
| <b>Less:</b> Transfer of Current Portion to Current Provisions - Note 8 | (415 312)         | (646 180)         |
| <b>Balance 30 June</b>  | <b>5 237 287</b>  | <b>4 424 361</b>  |

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 (m²)                  | 11 333    | 9 100      | 7 639    | 43 840    |
| Rehabilitation volume (m³) | 11 106    | 7 098      | 7 639    | 43 840    |
| Fence (m)                  |           |            |          |           |
| Total Cost                 | 1 202 092 | 719 098    | 415 312  | 3 316 099 |

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:

| <u><b>Location</b></u> | <u><b>Decommission<br/>date</b></u> | <u><b>Cost of<br/>rehabilitation</b></u> |
|------------------------|-------------------------------------|--|
|                        |                                     | <b>2014<br/>R</b>                        |
| Montagu                | 2013                                | 1 202 092                                |
| Bonnievale             | 2021                                | 719 098                                  |
| McGregor               | 2012                                | 415 312                                  |
| Ashton                 | 2014                                | 3 316 099                                |

| 6 | <b>CONSUMER DEPOSITS</b>   |                  |                  |
|---|--|------------------|------------------|
|   | Municipal services   | 7 176 811        | 6 570 594        |
|   | <b>Total Consumer Deposits</b>                                   | <b>7 176 811</b> | <b>6 570 594</b> |
|   | <b>Guarantees held in lieu of Electricity and Water Deposits</b> | <b>2 488 940</b> | <b>2 388 361</b> |

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 | 1 521 996         | 1 330 884         |
| Current Portion of Long-Service Provisions - Note 4  | 695 937           | 1 013 669         |
| Staff Leave  | 6 400 341         | 6 444 028         |
| Performance Bonuses                                  | 314 808           | 287 686           |
| Bonuses  | 3 483 033         | 3 292 640         |
| <b>Total Current Employee Benefits</b>               | <b>12 416 115</b> | <b>12 368 908</b> |
| <b>Balance previously reported (Note 7)</b>          |                   | 12 062 638        |
| Correction of error - Refer to note 40.2             |                   | 306 270           |
|  |                   | <b>12 368 908</b> |

The movement in current employee benefits is reconciled as follows:

**Staff Leave**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Balance at beginning of year    | 6 444 028        | 6 391 979        |
| Contribution to current portion | 3 290 779        | 2 262 335        |
| Expenditure incurred            | (3 334 467)      | (2 210 286)      |
| <b>Balance at end of year</b>   | <b>6 400 341</b> | <b>6 444 028</b> |

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.

|             |             |
|-------------|-------------|
| <b>2014</b> | <b>2013</b> |
| <b>R</b>    | <b>R</b>    |

**Performance Bonuses**

|  |                |                |
|--|----------------|----------------|
| Balance at beginning of year                 | 287 686        | 605 392        |
| Contribution / (Reversal) to current portion | 229 558        | (2 953)        |
| Expenditure incurred                         | (202 436)      | (314 753)      |
| <b>Balance at end of year</b>                | <b>314 808</b> | <b>287 686</b> |

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

|             |             |
|-------------|-------------|
| <b>2014</b> | <b>2013</b> |
| <b>R</b>    | <b>R</b>    |

**Bonuses**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Balance at beginning of year    | 3 292 640        | 3 041 415        |
| Contribution to current portion | 6 559 823        | 5 962 706        |
| Expenditure incurred            | (6 369 430)      | (5 711 480)      |
| <b>Balance at end of year</b>   | <b>3 483 033</b> | <b>3 292 640</b> |

Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

|          |  |                   |                   |
|----------|--|-------------------|-------------------|
| <b>8</b> | <b>PROVISIONS</b>  | <b>2014</b>       | <b>2013</b>       |
|          | SALA Pension Fund  | -                 | -                 |
|          | Cape Joint Pension Fund                                      | -                 | 714 099           |
|          | Current Portion of Rehabilitation of Landfill-sites - Note 5 | 415 312           | 646 180           |
|          | <b>Total Provisions</b>                                      | <b>415 312</b>    | <b>1 360 279</b>  |
|          | <b><u>SALA Pension Fund</u></b>                              |                   |                   |
|          | Balance at beginning of year                                 | (0)               | 1 470 110         |
|          | Expenditure incurred (Interest)                              | -                 | 251 531           |
|          | Expenditure incurred   | -                 | (1 721 641)       |
|          | Balance at end of year                                       | <b>(0)</b>        | <b>(0)</b>        |
|          | <b><u>Cape Joint Pension Fund</u></b>                        |                   |                   |
|          | Balance at beginning of year                                 | 714 099           | 552 777           |
|          | Contribution - interest                                      | 22 324            | 161 323           |
|          | Expenditure incurred   | (736 423)         |                   |
|          | Balance at end of year                                       | <b>-</b>          | <b>714 099</b>    |
| <b>9</b> | <b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>                   |                   |                   |
|          | Trade Payables   | 33 748 388        | 35 041 091        |
|          | Payments received in advance                                 | 4 203 023         | 3 154 434         |
|          | Retentions and Guarantees                                    | 2 765 383         | 629 648           |
|          | Sundry Deposits  | 3 551 960         | 2 335 404         |
|          | Sundry Creditors   | 31 039            | 54 553            |
|          | <b>Total Trade Payables</b>                                  | <b>44 299 793</b> | <b>41 215 130</b> |
|          | <b>Balance previously reported</b>                           |                   | 40 829 847        |
|          | Correction of error - Refer to note 40.8                     |                   | 385 282           |
|          |  |                   | <b>41 215 130</b> |

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed 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.



| 10 | UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | 2014<br>R        | 2013<br>R        |
|----|--|------------------|------------------|
|    | <b>Unspent Grants</b>                              | 3 237 473        | 8 796 656        |
|    | National Government Grants                         | 106 913          | 156 196          |
|    | Provincial Government Grants                       | 2 110 502        | 7 620 402        |
|    | District Municipality                              | 1 020 058        | 1 020 058        |
|    | <b>Less:</b> Unpaid Grants                         | 1 561 052        | 250 000          |
|    | National Government Grants                         | 249 920          | 250 000          |
|    | Provincial Government Grants                       | 1 311 132        | 0                |
|    | District Municipality                              | -                | -                |
|    | <b>Total Conditional Grants and Receipts</b>       | <b>1 676 421</b> | <b>8 546 656</b> |
|    | Reconciliation of total grants and receipts        |                  |                  |
|    | <b>Balance previously reported</b>                 |                  | 9 661 673        |
|    | Correction of error - Refer to note 40.11          |                  | (865 016)        |
|    |  |                  | <b>8 796 656</b> |

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. An application was sent to National Treasury that the unspent grants at 30 June 2014 be approved for roll-over and when it is approved it will be taken up in the second adjustments budget of 2014/2015 financial year.

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|             |  |                  |                  |
|-------------|--|------------------|------------------|
| <b>11</b>   | <b>UNSPENT PUBLIC CONTRIBUTIONS</b>  | <b>2014</b>      | <b>2013</b>      |
| <b>11.1</b> | <b>Silwer Strand Home Owners Association</b>   | 62 849           | 62 849           |
|             | Uitsig:Parmalat  | 310 100          | 325 000          |
|             | Robertson Arts and Crafts Project  | 621 481          |                  |
|             | <b>Total Unspent Public Contributions</b>  | <b>994 430</b>   | <b>387 849</b>   |
|             | Reconciliation of public contributions   |                  |                  |
|             | <u>Silwer 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 Silwer Strand Home Owners Association had to make a contribution for the construction of infrastructure. The project is not yet complete.  |                  |                  |
| <b>11.2</b> | <u>Uitsig:Parmalat</u>   |                  |                  |
|             | Opening balance  | 325 000          | -                |
|             | Contributions received   | -                | 325 000          |
|             | Conditions met - Transferred to revenue  | (14 900)         | -                |
|             | <b>Closing balance</b>   | <b>310 100</b>   | <b>325 000</b>   |
|             | Parmalat contributed 325 000 to the municipality to be spent in the Uitsig Area.   |                  |                  |
| <b>11.3</b> | <u>Robertson Arts and Crafts Project</u>   |                  |                  |
|             | Opening balance  | -                | -                |
|             | Contributions received   | 621 481          | -                |
|             | Conditions met - Transferred to revenue  | -                | -                |
|             | <b>Closing balance</b>   | <b>621 481</b>   | <b>-</b>         |
|             | The money was transferred into the bank account of the municipality, this conditional grant funding is earmarked for the Robertson Arts and Crafts Project to be administered by Langeberg Municipality. |                  |                  |
| <b>12</b>   | <b>TAXES</b>   |                  |                  |
| <b>12.1</b> | <b>VAT PAYABLE</b>   |                  |                  |
|             | VAT Payable  | 10 513           | 214 110          |
|             | VAT output in suspense   | 5 956 515        | 6 199 905        |
|             | Less: VAT portion of receivables   | (3 525 806)      | (3 212 352)      |
|             | <b>Total Vat payable</b>   | <b>2 441 223</b> | <b>3 201 663</b> |
| <b>12.2</b> | <b>VAT RECEIVABLE</b>  |                  |                  |
|             | VAT input in suspense  | 3 949 423        | 3 846 251        |
|             | <b>Total VAT receivable</b>  | <b>3 949 423</b> | <b>3 846 251</b> |
| <b>12.3</b> | <b>NET VAT RECEIVABLE/(PAYABLE)</b>  | <b>1 508 200</b> | <b>644 589</b>   |
|             | <b>Balance previously reported</b>   |                  | 539 810          |
|             | Correction of error - Refer to note 40.10  |                  | 104 779          |
|             |  |                  | <b>644 589</b>   |
|             | VAT is receivable/payable on the cash basis.   |                  |                  |

13 PROPERTY, PLANT AND EQUIPMENT

13.1 30 JUNE 2014

| Reconciliation of Carrying Value | Cost                          |                                 |                           |                             |                                 |  |                         |                           |                                    |                                      | Accumulated Depreciation and Impairment Losses |                      |                 |             |            |                      | Carrying Value |             |                 |
|----------------------------------|-------------------------------|---------------------------------|---------------------------|-----------------------------|---------------------------------|--|-------------------------|---------------------------|------------------------------------|--------------------------------------|--|----------------------|-----------------|-------------|------------|----------------------|----------------|-------------|-----------------|
|                                  | Opening Balance Original Cost | Opening Balance Residual Values | Adjustments Original Cost | Adjustments Residual Values | Restated Opening Residual Value | Restated Opening Balance Original Cost | Additions Original Cost | Additions Residual Values | Disposals / Transfer Original Cost | Disposals / Transfer Residual Values | Adjustments                                    | Closing Balance Cost | Opening Balance | Adjustments | Additions  | Disposals / Transfer |                | Adjustments | Closing Balance |
| Land and Buildings               | 80 071 740                    | -                               | (370 000)                 | -                           | 88 701 740                      | -                                      | 846 317                 | -                         | -                                  | -                                    | -  | 89 548 057           | 7 201 961       | -203 172    | 1 288 389  | -                    | -              | 8 287 158   | 81 280 899      |
| Buildings                        | 53 903 934                    | -                               | -                         | -                           | -                               | -                                      | -                       | -                         | -                                  | -                                    | -  | 53 903 934           | 157 642         | -157 642    | -          | -                    | -              | -           | 53 903 934      |
|                                  | 35 167 806                    | -                               | (370 000)                 | -                           | 34 797 806                      | -                                      | 846 317                 | -                         | -                                  | -                                    | -  | 35 644 123           | 7 044 319       | -45 530     | 1 288 389  | -                    | -              | 8 287 158   | 27 358 965      |
| Infrastructure                   | 394 620 002                   | -                               | (244 960)                 | -                           | 384 376 002                     | -                                      | 41 160 954              | -                         | 3 000                              | -                                    | -  | 425 533 966          | 91 755 650      | -12 916     | 10 930 755 | -                    | -              | 102 673 489 | 322 980 467     |
| Electricity                      | 100 219 072                   | -                               | (238 960)                 | -                           | 99 981 012                      | -                                      | 8 619 626               | -                         | -                                  | -                                    | -  | 109 600 538          | 28 948 937      | -12 865     | 2 838 129  | -                    | -              | 31 774 201  | 76 826 336      |
| Housing                          | 6 870 851                     | -                               | -                         | -                           | 6 870 851                       | -                                      | -                       | -                         | 3 000                              | -                                    | -  | 6 867 851            | 984 586         | -           | 92 206     | -                    | -              | 996 792     | 5 891 059       |
| Roads                            | 103 626 072                   | -                               | -                         | -                           | 103 626 072                     | -                                      | 10 520 946              | -                         | -                                  | -                                    | -  | 114 146 918          | 29 129 416      | -           | 3 520 755  | -                    | -              | 32 650 171  | 81 486 747      |
| Sewerage                         | 37 275 518                    | -                               | -                         | -                           | 37 275 518                      | -                                      | 18 759 825              | -                         | -                                  | -                                    | -  | 56 035 342           | 11 257 076      | -           | 1 619 789  | -                    | -              | 12 875 845  | 43 158 498      |
| Waste Management                 | 19 994 642                    | -                               | -                         | -                           | 19 994 642                      | -                                      | 19 994 642              | -                         | -                                  | -                                    | -  | 19 994 642           | 3 202 945       | -           | 571 685    | -                    | -              | 3 774 630   | 16 220 012      |
| Water                            | 84 112 067                    | -                               | -                         | -                           | 84 112 067                      | -                                      | 16 345 884              | -                         | -                                  | -                                    | -  | 100 457 951          | 18 322 640      | -           | 2 288 210  | -                    | -              | 20 610 850  | 79 847 101      |
| Work in Progress                 | 32 521 839                    | -                               | (6 000)                   | -                           | 32 515 839                      | -                                      | -13 085 326             | -                         | -                                  | -                                    | -  | 19 430 714           | 51              | -51         | -          | -                    | -              | -           | 19 430 714      |
| Community Assets                 | 71 779 609                    | -                               | (6 000)                   | -                           | 71 773 609                      | -                                      | 1 189 960               | -                         | -                                  | -                                    | -  | 72 963 569           | 14 309 884      | 677         | 2 183 566  | -                    | -              | 16 494 126  | 56 469 443      |
| Airfield                         | 252 720                       | -                               | -                         | -                           | 252 720                         | -                                      | 125 588                 | -                         | -                                  | -                                    | -  | 378 308              | 30 416          | -           | 6 133      | -                    | -              | 36 549      | 341 759         |
| Cemeteries                       | 2 461 739                     | -                               | -                         | -                           | 2 461 739                       | -                                      | 100 008                 | -                         | -                                  | -                                    | -  | 2 561 747            | 789 367         | -           | 929 910    | -                    | -              | 929 910     | 1 631 837       |
| Clinics                          | 4 527 337                     | -                               | -                         | -                           | 4 527 337                       | -                                      | -                       | -                         | -                                  | -                                    | -  | 4 527 337            | 754 904         | -           | 130 543    | -                    | -              | 799 683     | 3 727 654       |
| Community halls                  | 12 219 251                    | -                               | (6 000)                   | -                           | 12 213 251                      | -                                      | 161 888                 | -                         | -                                  | -                                    | -  | 12 374 949           | 1 807 551       | 677         | 308 894    | -                    | -              | 2 117 122   | 10 257 826      |
| Fire, safety & emergency         | 761 145                       | -                               | -                         | -                           | 761 145                         | -                                      | -                       | -                         | -                                  | -                                    | -  | 761 145              | 229 667         | -           | 35 421     | -                    | -              | 265 087     | 486 057         |
| Libraries                        | 6 616 317                     | -                               | -                         | -                           | 6 616 317                       | -                                      | 178 867                 | -                         | -                                  | -                                    | -  | 6 795 184            | 2 087 438       | -           | 301 286    | -                    | -              | 2 388 724   | 4 406 461       |
| Museums & Art Galleries          | 616 241                       | -                               | -                         | -                           | 616 241                         | -                                      | -                       | -                         | -                                  | -                                    | -  | 616 241              | 95 703          | -           | 9 631      | -                    | -              | 1 055 914   | 510 907         |
| Other                            | 10 471 045                    | -                               | -                         | -                           | 10 471 045                      | -                                      | 130 055                 | -                         | -                                  | -                                    | -  | 10 471 045           | 680 820         | -           | 366 094    | -                    | -              | 1 056 914   | 9 414 131       |
| Parks & Gardens                  | 11 821 722                    | -                               | -                         | -                           | 11 821 722                      | -                                      | -                       | -                         | -                                  | -                                    | -  | 11 951 777           | 1 446 623       | -           | 160 863    | -                    | -              | 1 607 487   | 10 344 280      |
| Recreation facilities            | 1 993 311                     | -                               | -                         | -                           | 1 993 311                       | -                                      | -                       | -                         | -                                  | -                                    | -  | 1 993 311            | 1 197 851       | -           | 76 303     | -                    | -              | 1 274 155   | 719 156         |
| Sport fields & stadia            | 16 316 905                    | -                               | -                         | -                           | 16 316 905                      | -                                      | 284 188                 | -                         | -                                  | -                                    | -  | 16 601 093           | 3 809 195       | -           | 619 331    | -                    | -              | 4 428 526   | 12 172 526      |
| Swimming pools                   | 3 605 195                     | -                               | -                         | -                           | 3 605 195                       | -                                      | -                       | -                         | -                                  | -                                    | -  | 3 605 195            | 1 360 349       | -           | 124 287    | -                    | -              | 1 484 636   | 2 120 559       |
| Work in Progress                 | 116 683                       | -                               | -                         | -                           | 116 683                         | -                                      | 209 556                 | -                         | -                                  | -                                    | -  | 326 239              | -               | -           | -          | -                    | -              | -           | 326 239         |
| Leased Assets                    | 2 412 985                     | -                               | -                         | -                           | 2 412 985                       | -                                      | 205 150                 | -                         | 12 242                             | -                                    | -  | 2 605 893            | 16 940          | 66 151      | 620 179    | (11 148)             | -              | 692 122     | 1 913 771       |
| Office Equipment (Lease)         | 2 412 985                     | -                               | -                         | -                           | 2 412 985                       | -                                      | 205 150                 | -                         | 12 242                             | -                                    | -  | 2 605 893            | 16 940          | 66 151      | 620 179    | (11 148)             | -              | 692 122     | 1 913 771       |
| Other Assets                     | 48 601 524                    | 7 547 383                       | (49 667)                  | -                           | 48 551 858                      | 7 547 383                              | 8 064 059               | 741 381                   | 41 164                             | -                                    | -  | 64 863 517           | 25 051 171      | -34 728     | 4 391 706  | (18 160)             | -              | 29 389 990  | 35 473 527      |
| Computer hardware/equipment      | 7 194 173                     | 1                               | -                         | -                           | 7 194 173                       | 1                                      | 3 019 260               | -                         | 27 355                             | -                                    | -  | 10 186 078           | 3 883 139       | -           | 1 100 596  | (9 255)              | -              | 4 974 480   | 5 211 599       |
| Furniture & office equipment     | 5 806 111                     | 87                              | -                         | -                           | 5 806 111                       | 87                                     | 1 479 391               | -                         | 7 745                              | -                                    | -  | 7 277 845            | 2 645 754       | -           | 891 737    | (5 929)              | -              | 3 531 562   | 3 746 283       |
| General Vehicles                 | 15 697 168                    | 5 402 415                       | -                         | -                           | 15 697 168                      | -                                      | 1 934 710               | 533 441                   | -                                  | -                                    | -  | 23 657 733           | 9 060 622       | -           | 891 673    | -                    | -              | 9 952 295   | 13 615 438      |
| Other                            | 242 357                       | -                               | (49 667)                  | -                           | 192 690                         | -                                      | 150 112                 | 207 941                   | -                                  | -                                    | -  | 550 743              | 186 797         | -34 728     | 20 871     | -                    | -              | 172 940     | 377 803         |
| Other Buildings                  | 1 139 382                     | -                               | -                         | -                           | 1 139 382                       | -                                      | -                       | -                         | -                                  | -                                    | -  | 1 139 382            | 446 255         | -           | 61 099     | -                    | -              | 507 354     | 632 027         |
| Specialised Vehicles             | 4 085 150                     | 975 880                         | -                         | -                           | 4 085 150                       | -                                      | 1 480 586               | -                         | 6 064                              | -                                    | -  | 5 061 031            | 1 855 965       | -           | 220 566    | -                    | -              | 2 106 531   | 2 954 500       |
| Plant & Equipment                | 14 437 183                    | 1 168 999                       | -                         | -                           | 14 437 183                      | 1 168 999                              | 1 480 586               | -                         | -                                  | -                                    | -  | 17 090 705           | 6 942 639       | -           | 1 205 164  | (2 976)              | -              | 8 144 828   | 8 935 877       |
|                                  | 596 466 520                   | 7 547 383                       | (670 527)                 | -                           | 595 816 194                     | 7 547 383                              | 51 466 440              | 741 381                   | 56 405                             | -                                    | -  | 655 514 992          | 138 335 606     | -183 988    | 19 414 576 | (29 309)             | -              | 157 536 985 | 497 978 107     |

13 PROPERTY, PLANT AND EQUIPMENT

13.2 30 JUNE 2013

| Reconciliation of Carrying Value | Opening Balance Original Cost | Opening Balance Residual Values | Adjustments Original Cost | Adjustments Residual Values | Restated Opening Balance Original Cost | Restated Opening Residual Value | Additions Original Cost | Additions Residual Values | Disposals/Transfer Original Cost | Disposals/Transfer Residual Values | Closing Balance Cost | Opening Balance | Adjustments | Additions | Disposals/Transfer | Adjustments | Closing Balance | Carrying Value |             |
|----------------------------------|-------------------------------|---------------------------------|---------------------------|-----------------------------|--|---------------------------------|-------------------------|---------------------------|----------------------------------|------------------------------------|----------------------|-----------------|-------------|-----------|--------------------|-------------|-----------------|----------------|-------------|
|                                  |                               |                                 |                           |                             |  |                                 |                         |                           |                                  |                                    |                      |                 |             |           |                    |             |                 |                |             |
| Land and Buildings               | 86 011 387                    | -                               | -                         | -                           | 86 011 387                             | -                               | 3 639 741               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 81 539 035  |
| Land                             | 54 843 579                    | -                               | -                         | -                           | 54 843 579                             | -                               | 79 355                  | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 54 122 712  |
| Buildings                        | 31 167 808                    | -                               | -                         | -                           | 31 167 808                             | -                               | 3 560 387               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 27 416 323  |
| Infrastructure                   | 347 643 132                   | -                               | -                         | -                           | 347 643 132                            | -                               | 38 009 045              | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 293 502 919 |
| Electricity                      | 95 058 942                    | -                               | -                         | -                           | 95 058 942                             | -                               | 5 399 534               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 71 072 722  |
| Housing                          | 7 339 851                     | -                               | -                         | -                           | 7 339 851                              | -                               | 1 583 188               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 6 416 265   |
| Roads                            | 102 076 609                   | -                               | -                         | -                           | 102 076 609                            | -                               | 741 749                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 74 541 265  |
| Sewerage                         | 36 533 769                    | -                               | -                         | -                           | 36 533 769                             | -                               | 7 131 935               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 26 018 442  |
| Waste Management                 | 20 059 342                    | -                               | -                         | -                           | 20 059 342                             | -                               | 23 232 538              | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 16 843 350  |
| Water                            | 76 980 132                    | -                               | -                         | -                           | 76 980 132                             | -                               | 23 232 538              | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 65 799 428  |
| Work in Progress                 | 9 594 487                     | -                               | -                         | -                           | 9 594 487                              | -                               | -                       | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 32 821 125  |
| Community Assets                 | 67 002 858                    | -                               | -                         | -                           | 67 002 858                             | -                               | 4 803 793               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 56 466 270  |
| Airfield                         | 252 720                       | -                               | -                         | -                           | 252 720                                | -                               | -                       | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 222 303     |
| Cemeteries                       | 1 921 100                     | -                               | -                         | -                           | 1 921 100                              | -                               | 50 539                  | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 1 772 372   |
| Churches                         | 5 593 337                     | -                               | -                         | -                           | 5 593 337                              | -                               | 685 324                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 4 907 004   |
| Community Halls                  | 11 533 927                    | -                               | -                         | -                           | 11 533 927                             | -                               | 109 887                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 10 110 089  |
| Fire, safety & emergency         | 761 145                       | -                               | -                         | -                           | 761 145                                | -                               | -                       | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 531 478     |
| Libraries                        | 3 835 495                     | -                               | -                         | -                           | 3 835 495                              | -                               | 109 887                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 2 087 438   |
| Museums & Art Galleries          | 616 241                       | -                               | -                         | -                           | 616 241                                | -                               | -                       | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 1 689 044   |
| Other                            | 1 018 417                     | -                               | -                         | -                           | 1 018 417                              | -                               | 349 331                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 95 703      |
| Parks & Gardens                  | 11 667 545                    | -                               | -                         | -                           | 11 667 545                             | -                               | 154 177                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 1 058 366   |
| Recreation facilities            | 1 993 311                     | -                               | -                         | -                           | 1 993 311                              | -                               | -                       | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 1 795 459   |
| Sport fields & stadia            | 15 674 023                    | -                               | -                         | -                           | 15 674 023                             | -                               | 642 882                 | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 12 507 711  |
| Swimming pools                   | 3 581 261                     | -                               | -                         | -                           | 3 581 261                              | -                               | 23 934                  | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 1 341 856   |
| Work in Progress                 | 8 554 338                     | -                               | -                         | -                           | 8 554 338                              | -                               | 2 787 518               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 11 341 856  |
| Leased Assets                    | 1 042 531                     | -                               | -                         | -                           | 1 042 531                              | -                               | 2 400 744               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 2 329 894   |
| Office Equipment (Lease)         | 1 042 531                     | -                               | -                         | -                           | 1 042 531                              | -                               | 2 400 744               | -                         | -                                | -                                  | -                    | -               | -           | -         | -                  | -           | -               | -              | 2 329 894   |
| Other Assets                     | 45 112 643                    | 7 085 856                       | 191 624                   | -191 624                    | 45 304 267                             | 6 894 231                       | 4 942 320               | 655 151                   | (182 346)                        | (2 000)                            | (1 013 334)          | 56 598 290      | 22 017 432  | (31 742)  | 4 179 191          | 23 107      | (917 327)       | 25 224 448     | 31 373 843  |
| Computer hardware/equipment      | 6 289 178                     | -                               | -                         | -                           | 6 289 178                              | -                               | 924 611                 | 1                         | (16 151)                         | -                                  | (3 465)              | 7 194 174       | 3 253 341   | -         | 641 524            | 8 262       | (3 465)         | 3 883 139      | 3 311 035   |
| Furniture & office equipment     | 5 368 154                     | -                               | -                         | -                           | 5 368 071                              | 83                              | 1 108 508               | 4                         | (18 131)                         | -                                  | (6 064)              | 6 452 471       | 1 940 542   | -         | 723 280            | 1 786       | (6 064)         | 2 695 372      | 3 796 100   |
| General Vehicles                 | 14 998 010                    | -                               | 125 113                   | (125 113)                   | 15 123 123                             | -                               | 594 089                 | 655 145                   | -                                | (2 000)                            | (686 320)            | 20 453 307      | 8 421 209   | -         | 1 295 114          | -           | (686 320)       | 9 050 003      | 11 403 304  |
| Other                            | 935 672                       | -                               | 66 424                    | (66 424)                    | 1 002 096                              | -                               | -                       | -                         | -                                | -                                  | -                    | 691 987         | 575 959     | (31 742)  | 29 625             | -           | (213 787)       | 360 074        | 331 914     |
| Other Buildings                  | 1 139 382                     | -                               | -                         | -                           | 1 139 382                              | -                               | -                       | -                         | -                                | -                                  | -                    | 1 139 382       | 379 532     | -         | 67 302             | -           | (578)           | 446 256        | 693 125     |
| Specialised Vehicles             | 4 104 980                     | -                               | 170                       | (170)                       | 4 105 150                              | -                               | -                       | -                         | -                                | -                                  | -                    | 5 061 031       | 1 591 081   | -         | 314 895            | -           | (20 000)        | 1 885 965      | 3 175 065   |
| Plant & Equipment                | 12 277 267                    | 1 168 998                       | 0                         | (0)                         | 12 277 267                             | 1 168 998                       | 2 315 112               | 1                         | (148 084)                        | -                                  | (7 375)              | 15 605 939      | 5 855 359   | -         | 1 107 461          | 13 059      | (7 131)         | 6 942 639      | 8 663 300   |
|                                  | 546 812 551                   | 7 085 856                       | 191 624                   | (191 624)                   | 547 004 175                            | 6 894 231                       | 53 875 543              | 655 151                   | (1 214 477)                      | (2 000)                            | (3 849 147)          | 603 363 576     | 127 159 184 | (156 134) | 16 253 087         | 665 282     | (4 409 239)     | 138 151 616    | 465 211 960 |

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 Testing Station
- Paving
- Electrification - Industrial Area

|   | 2014<br>R         | 2013<br>R         |
|---|-------------------|-------------------|
| <b>14 INVESTMENT PROPERTY</b>   |                   |                   |
| <b>Net Carrying amount at 1 July</b>                                    | <b>27 389 549</b> | <b>27 014 467</b> |
| Cost  | 29 024 905        | 28 598 905        |
| Under Construction  | -                 | -                 |
| Accumulated Depreciation  | (1 635 357)       | (1 584 438)       |
| Accumulated Impairment  | -                 | -                 |
| Acquisitions  | -                 | -                 |
| Disposals   | -                 | (14 000)          |
| Depreciation for the year   | (49 601)          | (50 918)          |
| Impairment  | -                 | -                 |
| Transfers to Inventory - cost   | -                 | -                 |
| Transfers to Inventory - accumulated depreciation                       | -                 | -                 |
| Transfers Assets Held for Sale  | -                 | -                 |
| Transfers from Property, Plant and equipment - cost                     | -                 | 440 000           |
| Transfers from Property, Plant and equipment - accumulated depreciation | -                 | -                 |
| <b>Net Carrying amount at 30 June</b>                                   | <b>27 339 948</b> | <b>27 389 549</b> |
| Cost  | 29 024 905        | 29 024 905        |
| Accumulated Depreciation  | (1 684 958)       | (1 635 357)       |
| Accumulated Impairment  | -                 | -                 |
| <b>Balance previously reported</b>                                      |                   | 26 951 138        |
| Correction of error - Refer to note 40.5                                |                   | 438 411           |
|   |                   | <b>27 389 549</b> |

There are no restrictions on the realisability of Investment Property or the remittance 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 | 694 734   | 994 542   |
| Operating expenditure incurred on properties           | 4 390 653 | 3 437 020 |

| 15 | INTANGIBLE ASSETS                     | 2014<br>R      | 2013<br>R      |
|----|---------------------------------------|----------------|----------------|
|    | <b>Computer Software</b>              |                |                |
|    | <b>Net Carrying amount at 1 July</b>  | <b>303 858</b> | <b>516 048</b> |
|    | Cost                                  | 2 599 216      | 2 560 071      |
|    | Accumulated Amortisation              | (2 295 358)    | (2 044 023)    |
|    | Accumulated Impairment                |                |                |
|    | Acquisitions                          | 330 391        | 39 145         |
|    | Amortisation                          | (89 084)       | (251 335)      |
|    | Impairments                           | -              | -              |
|    | Disposals                             | -              | -              |
|    | <b>Net Carrying amount at 30 June</b> | <b>545 165</b> | <b>303 858</b> |
|    | Cost                                  | 2 929 607      | 2 599 216      |
|    | Accumulated Amortisation              | (2 384 442)    | (2 295 358)    |
|    | Accumulated Impairment                | -              | -              |

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

| Description      | Remaining Amortisation<br>Period | Carrying Value |           |
|------------------|----------------------------------|----------------|-----------|
|                  |                                  | 2014<br>R      | 2013<br>R |
| Microsoft Office | 2                                | 545 165        | 303 858   |

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 title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

| 16 | HERITAGE ASSETS                              | R              | R              |
|----|--|----------------|----------------|
|    | <b>Net Carrying amount at 1 July</b>         | <b>649 000</b> | <b>649 000</b> |
|    | Acquisitions                                 | -              | -              |
|    | Disposals                                    | -              | -              |
|    | Impairments                                  | -              | -              |
|    | Reversal of Impairment losses                | -              | -              |
|    | Transfers from Property, Plant and equipment | -              | -              |
|    | <b>Net Carrying amount at 30 June</b>        | <b>649 000</b> | <b>649 000</b> |
|    | Cost   | 649 000        | 649 000        |
|    | Accumulated Impairment                       | -              | -              |
|    | <b>Balance previously reported</b>           |                | 939 000        |
|    | Correction of error - Refer to note 40.4     |                | (290 000)      |
|    |  |                | <b>649 000</b> |

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/impaired | - | - |
| Surplus/Deficit                                    | - | - |

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| 17 | <b>CAPITALISED RESTORATION COST</b>   | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|----|---------------------------------------|-------------------|-------------------|
|    | <b>Net Carrying amount at 1 July</b>  | <b>417 704</b>    | <b>200 054</b>    |
|    | Cost                                  | 4 426 625         | 4 008 921         |
|    | Accumulated Depreciation              | (4 008 921)       | (3 808 867)       |
|    | Accumulated Impairments               | -                 | -                 |
|    | Acquisitions / Additions              | 455 297           | 417 703           |
|    | Under Construction - Cost             | -                 | -                 |
|    | Disposals                             | -                 | -                 |
|    | Depreciation for the year             | (417 703)         | (200 054)         |
|    | Impairment for the year               | -                 | -                 |
|    | <b>Net Carrying amount at 30 June</b> | <b>455 297</b>    | <b>417 704</b>    |
|    | Cost                                  | 4 881 921         | 4 426 625         |
|    | Accumulated Depreciation              | (4 426 624)       | (4 008 921)       |
|    | Accumulated Impairments               | -                 | -                 |

| 18 | <b>NON-CURRENT INVESTMENTS</b>       |                |               |
|----|--------------------------------------|----------------|---------------|
|    | Listed Investments                   | 16 673         | 12 420        |
|    | Unlisted Investments                 | 92 950         | 78 197        |
|    | <b>Total Non-Current Investments</b> | <b>109 623</b> | <b>90 617</b> |

Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares.  
The listed shares represent 270 Sanlam Shares and 10275 Capevin Shares and Unlisted Shares represent 1028 KVV Shares held at fair value, available for sale.

|  |              |              |
|--|--------------|--------------|
| The market value per share at year end: Sanlam Shares  | <b>61.75</b> | <b>46.00</b> |
| The market value per share at year end: KVV Shares     | <b>8.50</b>  | <b>9.10</b>  |
| The market value per share at year end: Capevin Shares | <b>8.20</b>  | <b>6.70</b>  |

| 19 | <b>LONG-TERM RECEIVABLES</b>                                    | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|----|---|-------------------|-------------------|
|    | Provincial Government Housing Loans - At amortised cost         | 682 185           | 3 137 775         |
|    | Staff Study loans - At amortised cost                           | 121 878           | 128 913           |
|    | Services connections - At amortised cost                        | 888 593           | 510 299           |
|    | Land Sales - At amortised cost                                  | 1 106 814         | 1 146 492         |
|    | Short-term Installments   | 139 780           | 118 653           |
|    | Agreements with Consumer Debtors                                | 15 081 485        | 12 370 617        |
|    |   | 18 020 736        | 17 412 748        |
|    | <b>Less:</b> Current portion transferred to current receivables | (648 175)         | (1 496 547)       |
|    |   | 17 372 561        | 15 916 202        |
|    | <b>Less:</b> Provision for Impairment                           | (15 081 485)      | (12 370 617)      |
|    | <b>Total Long Term Receivables</b>                              | <b>2 291 076</b>  | <b>3 545 585</b>  |
|    | <b>HOUSING LOANS</b>  |                   |                   |
|    | <b>Balance previously reported</b>                              |                   | <b>3 451 815</b>  |
|    | Correction of error - Refer to note 40.24                       |                   | 93 770            |
|    |   |                   | <b>3 545 585</b>  |

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.

19 LONG-TERM RECEIVABLES (CONTINUE)

**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.

|   | 2014<br>R         | 2013<br>R         |
|---|-------------------|-------------------|
| <b>Reconciliation of Provision for Bad Debts</b>  |                   |                   |
| Balance at beginning of year                      | 12 370 617        | 9 742 612         |
| Contribution to provision/(Reversal of provision) | 2 710 868         | 2 628 004         |
| Bad Debts Written Off                             | -                 | -                 |
| <b>Balance at end of year</b>                     | <b>15 081 485</b> | <b>12 370 617</b> |

20 **NON-CURRENT ASSETS HELD FOR SALE**

|  |                  |                  |
|--|------------------|------------------|
| Land and Buildings                       | 2 742 209        | 3 410 209        |
|  | <b>2 742 209</b> | <b>3 410 209</b> |
| <b>Balance previously reported</b>       |                  | <b>3 460 209</b> |
| Correction of error - Refer to note 40.6 |                  | (50 000)         |
|  |                  | <b>3 410 209</b> |

The disposal group consists of residential and commercial sites throughout the entire Municipal area. Interest was shown by the public to purchase these residential and commercial sites. It has been made available in public after council approval.

Impairment loss recognised as non-currents held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

**200 000**

21 **INVENTORY**

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Maintenance Materials - At cost | 11 706 214        | 10 233 564        |
| Compost – at cost               | -                 | -                 |
| Water – at cost                 | 85 100            | 69 035            |
| Low Cost Housing                | 11 087 642        | 11 376 728        |
| <b>Total Inventory</b>          | <b>22 878 957</b> | <b>21 679 328</b> |

Consumable stores materials written down due to damages as identified during the annual stores counts.

**13 486** **24 257**

Consumable stores materials surpluses identified during the annual stores counts.

**2 055** **2 420**

Inventory recognised as an expense during the year

**8 862 490** **7 565 193**

Write down of inventory to the lower of Cost or Net Realisable Value

**72 013** **50 298**

22 **RECEIVABLES FROM EXCHANGE TRANSACTIONS**

|   | 2014<br>R         | 2013<br>R         |
|---|-------------------|-------------------|
| Electricity   | 15 732 725        | 17 751 185        |
| Water   | 5 536 652         | 5 251 522         |
| Refuse  | 3 031 218         | 3 016 454         |
| Sewerage  | 3 862 025         | 3 838 384         |
| Housing Rentals   | 1 868 771         | 534 340           |
| Other Receivables                                       | 743 932           | 712 836           |
| Other   | 15 154 900        | 13 306 834        |
| <b>Total Receivables from Exchange Transactions</b>     | <b>45 930 223</b> | <b>44 411 554</b> |
| Less: Provision for Impairment                          | (14 659 280)      | (13 175 944)      |
| <b>Total Net Receivables from Exchange Transactions</b> | <b>31 270 943</b> | <b>31 235 610</b> |

**Balance previously reported**

Correction of error - Refer to note 40.9

**31 309 093**  
(73 484)  
**31 235 610**



# NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

|    |  |                   |                   |
|----|--|-------------------|-------------------|
| 22 | <b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)</b>   | <b>2014</b>       | <b>2013</b>       |
|    | Ageing of Receivables from Exchange Transactions:  |                   |                   |
|    | <b><u>(Electricity): Ageing</u></b>  |                   |                   |
|    | Current (0 - 30 days)  | 13 821 440        | 15 092 661        |
|    | 31 - 60 Days   | 268 556           | 447 312           |
|    | 61 - 90 Days   | 113 042           | 268 175           |
|    | + 90 Days  | 1 529 687         | 1 943 036         |
|    | <b>Total</b>   | <b>15 732 725</b> | <b>17 751 185</b> |
|    | <b><u>(Water): Ageing</u></b>  |                   |                   |
|    | Current (0 - 30 days)  | 2 779 228         | 2 628 603         |
|    | 31 - 60 Days   | 406 161           | 409 975           |
|    | 61 - 90 Days   | 283 368           | 260 791           |
|    | + 90 Days  | 2 067 896         | 1 952 153         |
|    | <b>Total</b>   | <b>5 536 652</b>  | <b>5 251 522</b>  |
|    | <b><u>(Refuse): Ageing</u></b>   |                   |                   |
|    | Current (0 - 30 days)  | 1 083 434         | 1 101 973         |
|    | 31 - 60 Days   | 173 924           | 178 830           |
|    | 61 - 90 Days   | 116 247           | 129 569           |
|    | + 90 Days  | 1 657 612         | 1 606 081         |
|    | <b>Total</b>   | <b>3 031 218</b>  | <b>3 016 454</b>  |
|    | <b><u>(Sewerage): Ageing</u></b>   |                   |                   |
|    | Current (0 - 30 days)  | 1 351 168         | 1 385 226         |
|    | 31 - 60 Days   | 224 516           | 231 905           |
|    | 61 - 90 Days   | 149 407           | 166 485           |
|    | + 90 Days  | 2 136 934         | 2 054 768         |
|    | <b>Total</b>   | <b>3 862 025</b>  | <b>3 838 384</b>  |
|    | <b><u>(Other): Ageing</u></b>  |                   |                   |
|    | Current (0 - 30 days)  | 14 414 767        | 12 850 408        |
|    | 31 - 60 Days   | 77 602            | 116 527           |
|    | 61 - 90 Days   | 1 480 014         | 50 237            |
|    | + 90 Days  | 1 795 220         | 1 536 838         |
|    | <b>Total</b>   | <b>17 767 602</b> | <b>14 554 010</b> |
|    | <b><u>(Total): Ageing</u></b>  |                   |                   |
|    | Current (0 - 30 days)  | 33 450 037        | 33 058 872        |
|    | 31 - 60 Days   | 1 150 760         | 1 384 549         |
|    | 61 - 90 Days   | 2 142 078         | 875 257           |
|    | + 90 Days  | 9 187 348         | 9 092 876         |
|    | <b>Total</b>   | <b>45 930 223</b> | <b>44 411 554</b> |
|    | <b>Reconciliation of Provision for Bad Debts</b>   |                   |                   |
|    | Balance at beginning of year   | 13 175 944        | 13 816 530        |
|    | Contribution to provision/(Reversal of provision)  | 6 004 937         | 5 960 446         |
|    | Bad Debts Written Off  | (4 521 602)       | (6 601 032)       |
|    | <b>Balance at end of year</b>  | <b>14 659 280</b> | <b>13 175 944</b> |
|    | The Provision for Impairment could be allocated between the different classes of receivables as follows: |                   |                   |
|    | Electricity  | 3 002 592         | 3 427 705         |
|    | Water  | 3 315 893         | 3 162 953         |
|    | Refuse   | 2 103 222         | 2 062 827         |
|    | Sewerage   | 2 733 184         | 2 676 799         |
|    | Other  | 3 504 389         | 1 845 660         |
|    | <b>Total</b>   | <b>14 659 280</b> | <b>13 175 944</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.

23

**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

|   | 2014<br>R         | 2013<br>R         |
|---|-------------------|-------------------|
| Rates   | 7 108 575         | 7 244 039         |
| Other Receivables   | 13 664 981        | 7 895 606         |
| Accrued Interest  | 355 792           | 301 184           |
| Availability charges  | 4 603 447         | 4 318 684         |
| Other   | 464 202           | 524 209           |
| Fines   | 8 241 540         | 2 751 530         |
| <b>Total Receivables from Non-Exchange Transactions</b>     | <b>20 773 556</b> | <b>15 139 646</b> |
| Less: Provision for Impairment                              | (14 920 227)      | (11 053 385)      |
| <b>Total Net Receivables from Non-Exchange Transactions</b> | <b>5 853 329</b>  | <b>4 086 260</b>  |
| <b>Balance previously reported</b>                          |                   | <b>3 629 819</b>  |
| Correction of error - Refer to note 40.23                   |                   | 456 441           |
|   |                   | <b>4 086 260</b>  |

Trade Receivables with a total outstanding balance of R 15 081 485 (2013 - R 12 370 617) have arranged to settle their account over a re-negotiated period. The total value has 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) | 1 925 082        | 1 912 323        |
| 31 - 60 Days          | 184 126          | 192 336          |
| 61 - 90 Days          | 146 507          | 168 148          |
| + 90 Days             | 4 852 859        | 4 971 233        |
| <b>Total</b>          | <b>7 108 575</b> | <b>7 244 039</b> |

**Reconciliation of Provision for Bad Debts**

|   |                   |                   |
|---|-------------------|-------------------|
| Balance at beginning of year                      | 11 053 385        | 8 303 896         |
| Contribution to provision/(Reversal of provision) | 6 677 886         | 5 011 153         |
| Bad Debts Written Off                             | (2 811 045)       | (2 261 663)       |
| <b>Balance at end of year</b>                     | <b>14 920 227</b> | <b>11 053 385</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.

24

**OPERATING LEASE ARRANGEMENTS**

**The Municipality as Lessor (Asset)**

|  |                |                |
|--|----------------|----------------|
| <b>Balance on 1 July</b>   | 147 326        | 73 241         |
| Movement during the year   | (8 986)        | 74 085         |
| <b>Balance on 30 June</b>  | <b>138 340</b> | <b>147 326</b> |
| <b>Balance previously reported (Note 24)</b>   |                | <b>127 530</b> |
| Correction of Error: Lease Contracts not included in Lease Register 2011/2012 - Refer to note 40.7 |                | 3 220          |
| Correction of Error: Lease Contracts not included in Lease Register 2012/2012 - Refer to note 40.7 |                | 16 576         |
|  |                | <b>147 326</b> |

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                              | 983 155          | 889 487          |
| 1 to 5 Years                              | 470 148          | 817 843          |
| More than 5 Years                         | 103 697          | 688              |
| <b>Total Operating Lease Arrangements</b> | <b>1 557 000</b> | <b>1 708 017</b> |

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.

**CASH AND CASH EQUIVALENTS**

**2014**

**2013**

**Assets**

|   |                   |                   |
|---|-------------------|-------------------|
| Call Investments Deposits                       | 50 000 000        | 60 000 000        |
| Bank Accounts                                   | 11 189 405        | 11 274 412        |
| Cash Floats                                     | 7 510             | 7 717             |
| <b>Total Cash and Cash Equivalents - Assets</b> | <b>61 196 915</b> | <b>71 282 129</b> |

**Liabilities**

|  |          |          |
|--|----------|----------|
| Primary Bank Account                                 | -        | -        |
| <b>Total Cash and Cash Equivalents - Liabilities</b> | <b>-</b> | <b>-</b> |

Cash and cash equivalents comprises of 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**

**2014**

**2013  
R**

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Primary Bank account | 11 187 105        | 11 272 112        |
| Traffic bank account | 2 300             | 2 300             |
|                      | <b>11 189 405</b> | <b>11 274 412</b> |

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 | 11 272 112 | 3 904 456  |
| Cash book balance at end of year       | 11 187 105 | 11 272 112 |

|   |            |            |
|---|------------|------------|
| Bank statement balance at beginning of year | 11 377 775 | 3 671 466  |
| Bank statement balance at end of year       | 11 574 315 | 11 377 775 |

**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       | 2 300 | 2 300 |

|   |       |       |
|---|-------|-------|
| Bank statement balance at beginning of year | 1 250 | 1 400 |
| Bank statement balance at end of year       | 7 200 | 1 250 |

**Call Investment Deposits**

Call investment deposits consist of the following accounts:

|               |                                     |                   |
|---------------|-------------------------------------|-------------------|
| ABSA          | Account Number 20 72488246          | -                 |
| Investec      | Account Number 458195               | 20 000 000        |
| Nedbank       | Account Number 03/7881034971/000008 | 30 000 000        |
| Standard Bank | Account Number 288467698            | -                 |
|               |                                     | <b>50 000 000</b> |
|               |                                     | <b>60 000 000</b> |

26

**PROPERTY RATES**

**2014**

**2013**

**Actual**

**Rateable Land and Buildings**

39 896 536

37 064 317

Residential, Commercial Property, State

39 896 536

37 064 317

Less: Rebates

(7 613 009)

(7 257 616)

**Total Assessment Rates**

**32 283 527**

**29 806 702**

**Valuations**

**Rateable Land and Buildings**

Residential

4 669 495 043

4 611 761 996

Agricultural

4 714 599 086

4 714 599 086

Government

241 355 315

241 355 315

Business & Commercial

1 201 736 273

1 201 736 273

Municipal

345 084 024

345 084 024

Exempt Properties

302 544 424

302 544 424

**Total Assessment Rates**

**11 474 814 165**

**11 417 081 118**

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

**Rates:**

Residential

0.0046c/R

0.0043c/R

Commercial, Industrial & Government

0.0068c/R

0.0063c/R

Public Benefit Organisations

0.0010c/R

0.0010c/R

Agricultural

0.0010c/R

0.0009c/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 defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27

**GOVERNMENT GRANTS AND SUBSIDIES**

|   | 2014<br>R          | 2013<br>R          |
|---|--------------------|--------------------|
| <b>Unconditional Grants</b>   | <b>53 157 679</b>  | <b>51 279 300</b>  |
| Equitable Share   | 53 157 679         | 51 279 300         |
| <b>Conditional Grants</b>   | <b>47 368 715</b>  | <b>52 109 071</b>  |
| Grants and donations  | 1 200 746          | 1 158 627          |
| Subsidies   | 46 167 969         | 50 950 444         |
| <b>Total Government Grants and Subsidies</b>  | <b>100 526 394</b> | <b>103 388 371</b> |
| Government Grants and Subsidies - Capital   | 25 489 676         | 24 405 390         |
| Government Grants and Subsidies - Operating   | 75 036 718         | 78 982 981         |
|   | <b>100 526 394</b> | <b>103 388 371</b> |
| <b>Balance previously reported</b>  |                    | 78 431 168         |
| Correction of error -Operating Revenue Recognition of LG SETA expenditure Refer to note 40.18 |                    | 551 813            |
|   |                    | <b>78 982 981</b>  |

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             | 53 157 679         | 51 831 113         |
| Executive & Council         | 309 550            | 392 000            |
| Budget & Treasury           | 1 519 578          | 1 304 035          |
| Corporate Services          | 781 022            | 385 965            |
| Planning & Development      | 984 164            | 964 868            |
| Health                      | -                  | -                  |
| Community & Social Services | 6 423 821          | 8 489 548          |
| Housing                     | 16 839 950         | 17 645 494         |
| Public Safety               | -                  | -                  |
| Sport & Recreation          | 336 047            | -                  |
| Environmental Protection    | -                  | -                  |
| Waste Management            | -                  | 2 569 574          |
| Waste Water Management      | 4 882 213          | 11 409 206         |
| Road Transport              | 375 661            | 1 012 244          |
| Water                       | 14 416 791         | 6 001 901          |
| Electricity                 | 499 920            | 1 382 422          |
|                             | <b>100 526 394</b> | <b>103 388 371</b> |

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

**27.1 Equitable share**

|                            | 2014         | 2013         |
|----------------------------|--------------|--------------|
| Opening balance            | -            | -            |
| Grants received            | 53 157 679   | 51 279 300   |
| Conditions met - Operating | (53 157 679) | (51 279 300) |
| 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            | -           | -           |
| Grants received            | 1 300 000   | 1 250 000   |
| Conditions met - Operating | (1 300 000) | (1 250 000) |
| Conditions met - Capital   | -           | -           |
| Conditions still to be met | -           | -           |

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 also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

| 27          | GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)  | 2014<br>R    | 2013<br>R    |
|-------------|---|--------------|--------------|
| <b>27.3</b> | <b>Municipal Systems Improvement Grant</b>  |              |              |
|             | Opening balance   | -            | -            |
|             | Grants received   | 890 000      | 800 000      |
|             | Conditions met - Operating  | (108 978)    | (414 035)    |
|             | Conditions met - Capital  | (781 022)    | (385 965)    |
|             | Conditions still to be met  | -            | -            |
|             | The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems. |              |              |
| <b>27.4</b> | <b>Municipal Infrastructure Grant (MIG)</b>   |              |              |
|             | Opening balance   | (0)          | 802 213      |
|             | Grants received   | 19 299 000   | 18 376 000   |
|             | Conditions met - Operating  | (2 364 630)  | (2 350 462)  |
|             | Conditions met - Capital  | (16 934 370) | (16 827 752) |
|             | Conditions to be met  | (0)          | (0)          |
|             | The grant was used to upgrade infrastructure in previously disadvantaged areas.   |              |              |
| <b>27.5</b> | <b>Housing Grants</b>   |              |              |
|             | Opening balance   | 5 199 543    | 2 314 736    |
|             | Grants received   | 10 721 186   | 20 530 301   |
|             | Conditions met - Operating  | (11 229 420) | (16 926 458) |
|             | Conditions met - Capital  | (5 610 530)  | (719 036)    |
|             | Conditions to be met  | (919 221)    | 5 199 543    |
| <b>27.6</b> | <b>Integrated National Electrification Grant</b>  |              |              |
|             | Opening balance   | (250 000)    | 632 422      |
|             | Grants received   | 500 000      | 500 000      |
|             | Conditions met - Operating  | (48 947)     | (189 161)    |
|             | Conditions met - Capital  | (450 973)    | (1 193 261)  |
|             | Conditions to be met  | (249 920)    | (250 000)    |
|             | The National Electrification Grant was used for electrical connections in previously disadvantaged areas.                           |              |              |
| <b>27.7</b> | <b>Other Grants</b>   |              |              |
|             | Opening balance   | 3 597 113    | 3 240 114    |
|             | Grants received   | 6 762 291    | 12 523 145   |
|             | Conditions met - Operating  | (6 827 065)  | (6 886 769)  |
|             | Conditions met - Capital  | (1 712 780)  | (5 279 377)  |
|             | Conditions to be met  | 1 819 559    | 3 597 113    |
|             | Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)                      |              |              |
| <b>27.8</b> | <b>Total Grants</b>   |              |              |
|             | Opening balance   | 8 546 656    | 6 989 484    |
|             | Grants received   | 93 656 156   | 105 258 746  |
|             | Conditions met - Operating  | (75 036 718) | (79 296 184) |
|             | Conditions met - Capital  | (25 489 676) | (24 405 390) |
|             | Conditions to be met  | 1 676 418    | 8 546 656    |
|             | Disclosed as follows:   |              |              |
|             | Unspent Conditional Government Grants and Receipts  | 3 237 473    | 8 796 656    |
|             | Unpaid Conditional Government Grants and Receipts   | (1 561 052)  | (250 000)    |
|             |   | 1 676 421    | 8 546 656    |

28

**SERVICE CHARGES**

|   |                           |                           |
|---|---------------------------|---------------------------|
| Electricity   | 244 085 874               | 230 707 612               |
| Water   | 31 303 006                | 26 044 334                |
| Refuse removal  | 16 807 369                | 15 341 859                |
| Sewerage and Sanitation Charges                                     | 21 430 933                | 19 773 389                |
|   | <u>313 627 182</u>        | <u>291 867 195</u>        |
| Less: Rebates   | (19 295 809)              | (15 633 706)              |
| <b>Total Service Charges</b>  | <b><u>294 331 373</u></b> | <b><u>276 233 489</u></b> |
| <b>Balance previously reported</b>                                  |                           | 276 237 128               |
| Correction of error - Internal Charges incorrectly recognised 40.26 |                           | (3 639)                   |
|   |                           | <b><u>276 233 489</u></b> |

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

29

**OTHER INCOME**

|  |                          |                          |
|--|--------------------------|--------------------------|
| Availability fees  | 2 056 638                | 2 736 599                |
| Building plans   | 601 477                  | 384 052                  |
| Bulk service levies  | 1 946 576                | 407 310                  |
| Cemeteries   | 353 971                  | 325 612                  |
| Commission   | 178 982                  | 148 889                  |
| Connection fees  | 1 939 850                | 1 455 489                |
| Fire brigade fees  | 82 961                   | 53 347                   |
| Insurance claims   | 923 763                  | 608 776                  |
| Photo copies   | 59 771                   | 65 029                   |
| Planning application fees  | 416 504                  | 261 267                  |
| Re-connection fees   | 141 885                  | 271 466                  |
| Valuation certificates   | 145 539                  | 116 786                  |
| Sundry income  | 3 674 414                | 3 634 848                |
| <b>Total Other Income</b>  | <b><u>12 522 330</u></b> | <b><u>10 469 470</u></b> |
| <b>Balance previously reported</b>                                 |                          | 10 498 358               |
| Correction of error - Raising Receivable for staff bursaries 40.25 |                          | (28 888)                 |
|  |                          | <b><u>10 469 470</u></b> |

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**EMPLOYEE RELATED COSTS**

|   | 2014<br>R          | 2013<br>R          |
|---|--------------------|--------------------|
| Salaries and Wages  | 81 095 762         | 75 448 634         |
| Bargaining Council Levy                                       | -                  | -                  |
| Bonus   | 6 747 607          | 5 977 411          |
| Contributions for UIF, pensions and medical aids              | 19 010 335         | 17 824 790         |
| Group Life Insurance  | 361 040            | 368 683            |
| Housing Subsidy   | 446 174            | 568 792            |
| Leave Reserve Fund  | 3 290 779          | 2 262 335          |
| Long service awards   | 669 223            | 623 143            |
| Overtime  | 5 623 691          | 5 407 989          |
| Post Employment Health  | 2 297 883          | 1 952 776          |
| Travel, motor car, telephone, assistance and other allowances | 9 665 830          | 9 444 636          |
|   | <hr/>              | <hr/>              |
|   | 129 208 326        | 119 879 190        |
|   | <hr/>              | <hr/>              |
| <b>Less:</b> Employee Costs allocated elsewhere               | -                  | -                  |
|   | <hr/>              | <hr/>              |
| <b>Total Employee Related Costs</b>                           | <b>129 208 326</b> | <b>119 879 190</b> |
|   | <hr/>              | <hr/>              |
| <b>Balance previously reported (Note 30)</b>                  |                    | 118 437 567        |
| Corretion of Error - Refer to note 40.15                      |                    | 1 441 623          |
|   |                    | <hr/>              |
|   |                    | <b>119 879 190</b> |
|   |                    | <hr/>              |

**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 S A Mokweni**

|  |                  |                  |
|--|------------------|------------------|
| Annual Remuneration                        | 1 094 256        | 994 440          |
| Performance Bonuses                        | 48 282           | 90 219           |
| Car Allowance                              | 108 000          | 108 000          |
| Other Allowances                           | -                | 24 550           |
| Contributions to Medical and Pension Funds | 203 423          | 192 869          |
|  | <hr/>            | <hr/>            |
| <b>Total</b>                               | <b>1 453 961</b> | <b>1 410 078</b> |
|  | <hr/>            | <hr/>            |

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

|  |          |                  |
|--|----------|------------------|
| Annual Remuneration                        | -        | 706 734          |
| Performance Bonuses                        | -        | 74 845           |
| Car Allowance                              | -        | 156 869          |
| Other Allowances                           | -        | 30 943           |
| Contributions to Medical and Pension Funds | -        | 194 038          |
|  | <hr/>    | <hr/>            |
| <b>Total</b>                               | <b>-</b> | <b>1 163 429</b> |
|  | <hr/>    | <hr/>            |

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

|  |                  |                  |
|--|------------------|------------------|
| Annual Remuneration                        | 852 592          | 759 587          |
| Performance Bonuses                        | 40 054           | 74 845           |
| Car Allowance                              | 151 568          | 131 568          |
| Other Allowances                           | -                | 47 978           |
| Contributions to Medical and Pension Funds | 161 970          | 157 179          |
|  | <hr/>            | <hr/>            |
| <b>Total</b>                               | <b>1 206 184</b> | <b>1 171 157</b> |
|  | <hr/>            | <hr/>            |

**Remuneration of the Director Financial Services: Mr C F Hoffman**

|  |                  |                  |
|--|------------------|------------------|
| Annual Remuneration                        | 860 000          | 647 241          |
| Performance Bonuses                        | 40 054           | 74 845           |
| Car Allowance                              | 71 445           | 128 222          |
| Other Allowances                           | 12 604           | 78 653           |
| Contributions to Medical and Pension Funds | 222 081          | 242 196          |
|  | <hr/>            | <hr/>            |
| <b>Total</b>                               | <b>1 206 184</b> | <b>1 171 157</b> |
|  | <hr/>            | <hr/>            |



REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUE)

|  | 2014             | 2013             |
|--|------------------|------------------|
| <b>Remuneration of the Director Strategy and Social Development: Mrs C O Matthys</b> |                  |                  |
| Annual Remuneration  | 798 387          | 703 371          |
| Performance Bonuses  | 37 023           | -                |
| Car Allowance  | 117 351          | 159 982          |
| Other Allowances   | -                | 22 460           |
| Contributions to Medical and Pension Funds   | 163 106          | 133 676          |
| <b>Total</b>   | <b>1 115 867</b> | <b>1 019 489</b> |

**Remuneration of the Director Engineering Services: Mr I A B van der Westhuizen**

|  |                  |                |
|--|------------------|----------------|
| Annual Remuneration                        | 879 617          | 626 670        |
| Performance Bonuses                        | 37 023           | -              |
| Car Allowance                              | 12 971           | 10 800         |
| Other Allowances                           | -                | -              |
| Contributions to Medical and Pension Funds | 186 256          | 124 552        |
| <b>Total</b>                               | <b>1 115 867</b> | <b>762 022</b> |

The Director Engineering Services was appointed on 01 October 2012 and the remuneration for 2012/2013 is only for nine months.

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REMUNERATION OF COUNCILLORS

|  | 2014<br>R        | 2013<br>R        |
|--|------------------|------------------|
| Mayor                                      | 733 049          | 698 894          |
| Deputy Mayor                               | 570 329          | 538 636          |
| Speaker                                    | 566 729          | 536 643          |
| Mayoral Committee Members (4 councillors)  | 2 150 292        | 2 037 913        |
| Councillors (15 councillors 1 vacant seat) | 3 693 908        | 3 287 031        |
| <b>Total Councillors' Remuneration</b>     | <b>7 714 307</b> | <b>7 099 118</b> |

**In-kind Benefits**

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.

**Remuneration of the Mayor: D Gagaiano**

|                      |                |                |
|----------------------|----------------|----------------|
| Allowance            | 461 840        | 434 830        |
| Transport Allowance  | 125 927        | 125 927        |
| Cell Phone Allowance | 20 868         | 19 872         |
| Pension Fund         | 90 059         | 84 792         |
| Mobile Data Card     | 3 600          | -              |
| Other Allowances     | 30 755         | 33 473         |
| <b>Total</b>         | <b>733 049</b> | <b>698 894</b> |

**Remuneration of the Deputy Mayor: KI Klaas**

|                      |                |                |
|----------------------|----------------|----------------|
| Allowance            | 396 536        | 422 125        |
| Transport Allowance  | 72 000         | 12 000         |
| Cell Phone Allowance | 20 868         | 19 872         |
| Pension Fund         | 77 325         | 82 314         |
| Mobile Data Card     | 3 600          | -              |
| Other Allowances     | -              | 2 325          |
| <b>Total</b>         | <b>570 329</b> | <b>538 636</b> |

**Remuneration of the Speaker: DA Hull**

|                      |                |                |
|----------------------|----------------|----------------|
| Allowance            | 356 646        | 335 038        |
| Transport Allowance  | 116 069        | 116 069        |
| Cell Phone Allowance | 20 868         | 19 872         |
| Pension Fund         | 69 546         | 65 332         |
| Mobile Data Card     | 3 600          | -              |
| Other Allowances     | -              | 332            |
| <b>Total</b>         | <b>566 729</b> | <b>536 643</b> |

## REMUNERATION OF COUNCILLORS (CONTINUE)

|   | 2014           | 2013           |
|---|----------------|----------------|
| <b>Remuneration of Member of Mayoral Committee: SW van Eeden</b>  |                |                |
| Allowance   | 344 718        | 324 454        |
| Transport Allowance   | 96 440         | 96 440         |
| Cell Phone Allowance  | 20 868         | 19 872         |
| Pension Fund  | 67 220         | 63 268         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | 7 487          | 16 910         |
| <b>Total</b>  | <b>540 333</b> | <b>520 944</b> |
| <b>Remuneration of Member of Mayoral Committee: NP Crouwcamp</b>  |                |                |
| Allowance   | 333 977        | 313 720        |
| Transport Allowance   | 109 267        | 109 267        |
| Cell Phone Allowance  | 20 868         | 19 872         |
| Pension Fund  | 65 126         | 61 175         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | -              | 1 500          |
| <b>Total</b>  | <b>532 838</b> | <b>505 534</b> |
| <b>Remuneration of Member of Mayoral Committee: EMJ Scheepers</b> |                |                |
| Allowance   | 347 723        | 324 453        |
| Transport Allowance   | 79 161         | 79 160         |
| Cell Phone Allowance  | 20 868         | 19 872         |
| Pension Fund  | 67 806         | 63 268         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | 25 125         | 19 133         |
| <b>Total</b>  | <b>544 283</b> | <b>505 886</b> |
| <b>Remuneration of Member of Mayoral Committee: RR Kortje</b>     |                |                |
| Allowance   | 360 142        | 339 885        |
| Transport Allowance   | 78 000         | 78 000         |
| Cell Phone Allowance  | 20 868         | 19 872         |
| Pension Fund  | 70 228         | 66 277         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | -              | 1 515          |
| <b>Total</b>  | <b>532 838</b> | <b>505 549</b> |
| <b>Remuneration of Member of Council: J Kriel</b>                 |                |                |
| Allowance   | 159 641        | 149 958        |
| Transport Allowance   | 43 707         | 43 707         |
| Cell Phone Allowance  | 20 868         | 12 396         |
| Pension Fund  | -              |                |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | -              |                |
| <b>Total</b>  | <b>227 816</b> | <b>206 061</b> |
| <b>Remuneration of Member of Council: TS De Koker</b>             |                |                |
| Allowance   | 183 531        | 158 837        |
| Transport Allowance   | 41 643         | 41 643         |
| Cell Phone Allowance  | 20 868         | 12 180         |
| Pension Fund  | 35 789         | 30 973         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | 72             | 319            |
| <b>Total</b>  | <b>285 503</b> | <b>243 952</b> |
| <b>Remuneration of Member of Council: E Turner</b>                |                |                |
| Allowance   | 217 256        | 187 746        |
| Transport Allowance   | 43 707         | 43 707         |
| Cell Phone Allowance  | 20 868         | 12 180         |
| Pension Fund  | -              |                |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | -              |                |
| <b>Total</b>  | <b>285 431</b> | <b>243 633</b> |

## REMUNERATION OF COUNCILLORS (CONTINUE)

|   | 2014           | 2013           |
|---|----------------|----------------|
| <b>Remuneration of Member of Council: JDF Van Zyl</b> |                |                |
| Allowance   | 188 425        | 163 730        |
| Transport Allowance                                   | 35 796         | 35 796         |
| Cell Phone Allowance                                  | 20 868         | 12 396         |
| Pension Fund  | 36 743         | 31 927         |
| Mobile Data Card                                      | 3 600          |                |
| Other Allowances                                      | -              |                |
| <b>Total</b>  | <b>285 431</b> | <b>243 849</b> |
| <b>Remuneration of Member of Council: NJ Mgoqi</b>    |                |                |
| Allowance   | 135 318        | 127 215        |
| Transport Allowance                                   | 41 643         | 41 643         |
| Cell Phone Allowance                                  | 20 868         | 12 396         |
| Pension Fund  | 26 387         | 24 807         |
| Mobile Data Card                                      | 3 600          |                |
| Other Allowances                                      | -              |                |
| <b>Total</b>  | <b>227 816</b> | <b>206 061</b> |
| <b>Remuneration of Member of Council: ME Zwedala</b>  |                |                |
| Allowance   | 143 223        | 132 108        |
| Transport Allowance                                   | 35 794         | 35 794         |
| Cell Phone Allowance                                  | 20 868         | 12 396         |
| Pension Fund  | 27 929         | 25 761         |
| Mobile Data Card                                      | 3 600          |                |
| Other Allowances                                      | -              | 250            |
| <b>Total</b>  | <b>231 414</b> | <b>206 310</b> |
| <b>Remuneration of Member of Council: DB Janse</b>    |                |                |
| Allowance   | 213 112        | 174 431        |
| Transport Allowance                                   | 43 707         | 43 707         |
| Cell Phone Allowance                                  | 20 868         | 12 180         |
| Pension Fund  | 41 557         | 34 014         |
| Mobile Data Card                                      | 3 600          |                |
| Other Allowances                                      | -              |                |
| <b>Total</b>  | <b>322 844</b> | <b>264 333</b> |
| <b>Remuneration of Member of Council: R Johnson</b>   |                |                |
| Allowance   | 135 318        | 127 215        |
| Transport Allowance                                   | 41 643         | 41 643         |
| Cell Phone Allowance                                  | 20 868         | 12 396         |
| Pension Fund  | 26 387         | 24 807         |
| Mobile Data Card                                      | 3 600          |                |
| Other Allowances                                      | -              |                |
| <b>Total</b>  | <b>227 816</b> | <b>206 061</b> |

## REMUNERATION OF COUNCILLORS (CONTINUE)

|  | 2014           | 2013           |
|--|----------------|----------------|
| <b>Remuneration of Member of Council: EJ Vollenhoven</b>                                   |                |                |
| Allowance  | 124 767        | 116 664        |
| Transport Allowance  | 36 972         | 36 972         |
| Cell Phone Allowance   | 20 868         | 12 396         |
| Pension Fund   | 24 330         | 22 749         |
| Mobile Data Card   | 3 600          |                |
| Other Allowances   | 22 192         | 15 840         |
| <b>Total</b>   | <b>232 728</b> | <b>204 621</b> |
| <b>Remuneration of Member of Council: SP Mafilika</b>                                      |                |                |
| Allowance  | 140 211        | 132 108        |
| Transport Allowance  | 35 796         | 35 796         |
| Cell Phone Allowance   | 20 868         | 12 396         |
| Pension Fund   | 27 341         | 25 761         |
| Mobile Data Card   | 3 600          |                |
| Other Allowances   | -              |                |
| <b>Total</b>   | <b>227 816</b> | <b>206 061</b> |
| <b>Remuneration of Member of Council: CJ Grootboom</b>                                     |                |                |
| Allowance  | 204 399        | 179 705        |
| Transport Allowance  | 16 706         | 16 706         |
| Cell Phone Allowance   | 20 868         | 12 180         |
| Pension Fund   | 39 858         | 35 042         |
| Mobile Data Card   | 3 600          |                |
| Other Allowances   | 4 000          |                |
| <b>Total</b>   | <b>289 431</b> | <b>243 633</b> |
| <b>Remuneration of Member of Council: JRO Swanepoel</b>                                    |                |                |
| Allowance  | 163 241        | 149 958        |
| Transport Allowance  | 43 707         | 43 707         |
| Cell Phone Allowance   | 20 868         | 12 396         |
| Pension Fund   | -              |                |
| Mobile Data Card   | 3 600          |                |
| Other Allowances   | -              |                |
| <b>Total</b>   | <b>231 416</b> | <b>206 061</b> |
| <b>Remuneration of Member of Council: CB Swanepoel (20 September 2013 to 30 June 2014)</b> |                |                |
| Allowance  | 132 756        |                |
| Transport Allowance  | -              |                |
| Cell Phone Allowance   | 16 283         |                |
| Pension Fund   | 25 887         |                |
| Mobile Data Card   | 2 810          |                |
| Other Allowances   | -              |                |
| <b>Total</b>   | <b>177 737</b> | <b>-</b>       |

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REMUNERATION OF COUNCILLORS (CONTINUE)

|   | 2014           | 2013           |
|---|----------------|----------------|
| <b>Remuneration of Member of Council: WS Nyamana</b>                                    |                |                |
| Allowance   | 134 997        | 126 894        |
| Transport Allowance   | 40 363         | 40 363         |
| Cell Phone Allowance  | 20 868         | 12 396         |
| Pension Fund  | 26 324         | 24 744         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | 1 663          | 1 663          |
| <b>Total</b>  | <b>227 816</b> | <b>206 061</b> |
| <b>Remuneration of Member of Council: JD Burger</b>                                     |                |                |
| Allowance   | 188 504        | 164 238        |
| Transport Allowance   | 35 700         | 35 188         |
| Cell Phone Allowance  | 20 868         | 12 180         |
| Pension Fund  | 36 758         | 32 026         |
| Mobile Data Card  | 3 600          |                |
| Other Allowances  | -              |                |
| <b>Total</b>  | <b>285 431</b> | <b>243 633</b> |
| <b>Remuneration of Member of Council: AN Mhlambeni (01 July 2013 to 24 August 2013)</b> |                |                |
| Allowance   | 25 507         | 153 043        |
| Transport Allowance   | 1 217          | 7 304          |
| Cell Phone Allowance  | 2 066          | 12 396         |
| Pension Fund  | 4 974          | 29 844         |
| Mobile Data Card  | -              |                |
| Other Allowances  | 579            | 3 474          |
| <b>Total</b>  | <b>34 344</b>  | <b>206 061</b> |

Change in accounting policy - Refer to note 39.1

32

DEBT IMPAIRMENT

|  |                   |                   |
|--|-------------------|-------------------|
| Long term Receivables - Note 19                            | 2 710 868         | 2 333 568         |
| Trade Receivables from exchange transactions - Note 22     | 5 230 412         | 5 188 853         |
| Trade Receivables from non-exchange transactions - Note 23 | 6 857 596         | 3 428 863         |
| <b>Total Contribution to Debt Impairment</b>               | <b>14 798 877</b> | <b>10 951 284</b> |
| <b>Balance previously reported (Note 32)</b>               |                   | 8 551 056         |
| Correction of Error Refer to note 40.23                    |                   | 2 400 228         |
|  |                   | <b>10 951 284</b> |

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|           |   | <b>2014</b>               | <b>2013</b>               |
|-----------|---|---------------------------|---------------------------|
| <b>33</b> | <b>DEPRECIATION AND AMORTISATION</b>  |                           |                           |
|           | Property Plant and Equipment  | 19 414 576                | 16 311 820                |
|           | Capitalised Restoration Cost  | 417 703                   | 200 054                   |
|           | Investment Property   | 49 601                    | 50 918                    |
|           | Intangible Assets   | 89 084                    | 251 335                   |
|           |   | <u><b>19 970 964</b></u>  | <u><b>16 814 127</b></u>  |
|           | <b>Balance previously reported (Note 33)</b>  |                           | 16 753 805                |
|           | Correction of book value of assets where the useful lives were incorrectly recorded - Refer to note 40.22 |                           | 60 322                    |
|           |   |                           | <u><b>16 814 127</b></u>  |
| <b>34</b> | <b>IMPAIRMENTS</b>  |                           |                           |
|           | Non-Current Assets held for sale  | <u><b>200 000</b></u>     | <u><b>-</b></u>           |
| <b>35</b> | <b>FINANCE CHARGES</b>  |                           |                           |
|           | Interest paid   | 31 572                    | 164 246                   |
|           | Landfill site   | 126 761                   | 265 054                   |
|           | Long service awards   | 565 708                   | 458 417                   |
|           | Long-term Liabilities   | 3 352 599                 | 3 399 048                 |
|           | Post Employment Health  | 3 493 189                 | 2 977 341                 |
|           | <b>Total finance charges</b>  | <u><b>7 569 829</b></u>   | <u><b>7 264 105</b></u>   |
|           | <b>Balance previously reported (Note 35)</b>  |                           | 7 149 831                 |
|           | Correction on LSA Finance Charges - Refer to note 40.16   |                           | 114 274                   |
|           |   |                           | <u><b>7 264 105</b></u>   |
| <b>36</b> | <b>BULK PURCHASES</b>   |                           |                           |
|           | Electricity   | 182 086 115               | 173 526 712               |
|           | Water   | 2 884 201                 | 3 108 446                 |
|           | <b>Total Bulk Purchases</b>   | <u><b>184 970 315</b></u> | <u><b>176 635 158</b></u> |
|           | <b>Balance previously reported</b>  |                           | 176 527 517               |
|           | Correction of error Water Bulk Purchases was recorded in the incorrect period- Refer to note 40.14        |                           | 107 642                   |
|           |   |                           | <u><b>176 635 158</b></u> |

| 38 | GENERAL EXPENSES                             | 2014<br>R         | 2013<br>R         |
|----|--|-------------------|-------------------|
|    | Advertisement Cost                           | 831 479           | 700 218           |
|    | Audit fees                                   | 2 252 816         | 1 864 590         |
|    | Bank charges                                 | 776 101           | 644 329           |
|    | Bursaries - Internal                         | 159 071           | 74 543            |
|    | Cell phone                                   | 597 406           | 748 573           |
|    | Chemicals                                    | 3 619 396         | 4 225 223         |
|    | Computer services                            | 1 468 202         | 1 539 513         |
|    | Connections                                  | 394 271           | 414 140           |
|    | Data lines                                   | 2 525 164         | 2 225 965         |
|    | Delegation Fees                              | 153 780           | 359 709           |
|    | Development Projects                         | 434 930           | 408 609           |
|    | Fuel   | 6 925 716         | 5 974 821         |
|    | Insurance (Premiums & Claims cost)           | 1 336 424         | 6 345 402         |
|    | IoD Insurance                                | 1 303 186         | 1 248 411         |
|    | Membership fees                              | 1 206 793         | 1 003 100         |
|    | Postage                                      | 633 805           | 504 649           |
|    | Poverty Alleviation Projects                 | 2 465 999         | 1 626 465         |
|    | Printing & Stationary                        | 1 026 532         | 1 091 655         |
|    | Professional Services                        | 4 006 551         | 2 264 693         |
|    | Protective Clothing                          | 801 822           | 594 587           |
|    | Refuse bags                                  | 488 500           | 357 538           |
|    | Rehabilitation                               | 841 579           | 746 510           |
|    | Skills Development Levy                      | 1 233 073         | 934 834           |
|    | Subsidy New Electrical connections           | -                 | -                 |
|    | Tourism Marketing                            | 1 203 264         | 821 274           |
|    | Training cost                                | 804 990           | 881 432           |
|    | Transfer cost                                | 227 616           | 367 974           |
|    | Valuation cost                               | 518 433           | 357 774           |
|    | Other  | 16 781 809        | 13 756 183        |
|    | General Expenses                             | <b>55 018 706</b> | <b>52 082 710</b> |
|    | <b>Balance previously reported (Note 38)</b> |                   | 42 069 249        |
|    | Correction of error - Refer to note 40.17    |                   | 10 013 461        |
|    |  |                   | <b>52 082 710</b> |

39 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3

39.1 RELATED PARTIES

The municipality adopted the disclosure requirements of GRAP 20 on Related parties which states the municipality must disclose the remuneration of management per person and in aggregate, management in the case of Langeberg Municipality as defined in GRAP 20.12 is members of the governing body which is council and the senior management team which is the Accounting Officer and Directors.

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**CORRECTION OF ERROR IN TERMS OF GRAP 3**

**40.1 NET ASSETS (ACCUMULATED SURPLUS/(DEFICIT))**

|  |                    |
|--|--------------------|
| <b>Balance previously reported</b>   | <b>396 567 706</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | (1 767 474)        |
| Revenue Recognition on LG SETA grant prior to 30 June 2012   | 313 203            |
| Asset Disposal not recorded  | 31 535             |
| Asset Disposal not recorded  | (49 664)           |
| Asset not recorded on Asset Register   | 34 238             |
| Derecognition of Assets  | (236 683)          |
| Lease contracts not accounted for  | 3 220              |
| Transfer Heritage Asset to Property, Plant and Equipment   | (27 663)           |
| Correction of Asset Class  | 153 778            |
| Accounting for traffic fines in accordance with GRAP 23  | 365 926            |
| Recognising Operating Expenditure incorrectly done against Suspense Vote   | (210 151)          |
| Recognising Operating Expenditure incorrectly done against Suspense Vote   | (237 416)          |
| Recognising Operating Expenditure incorrectly done against Suspense Vote   | (796)              |
| Raising Receivable for Bursaries awarded to staff  | 78 998             |
|  | <b>395 018 758</b> |

**40.2 EMPLOYEE BENEFITS: LONG SERVICE AWARDS**

|  |                  |
|--|------------------|
| <b>Balance previously reported 30 June 2012</b>  | <b>5 508 217</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | 1 767 474        |
| Restated Balance as at 01 July 2012  | <b>7 275 691</b> |
| <b>Balance previously reported 30 June 2013</b>  | <b>6 475 246</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | 1 767 474        |
| Correction of Error Current Interest Cost  | 114 274          |
| Correction of Error Current Service Cost   | (20 932)         |
| Correction of Error Actuarial Loss   | (101 802)        |
| Restated Balance as at 30 June 2013  | <b>8 234 260</b> |

**CURRENT EMPLOYEE BENEFITS**

|  |                  |
|--|------------------|
| <b>Balance previously reported</b>                           | <b>707 399</b>   |
| Adjustment as result of correction on current Portion Note 7 | 306 270          |
| Restated Balance as at 30 June 2013                          | <b>1 013 669</b> |

Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company

Correction of error - Refer to note 7

**40.3 PROPERTY, PLANT AND EQUIPMENT**

|  |                    |
|--|--------------------|
| <b>Balance previously reported</b>                                 | <b>465 814 358</b> |
| Derecognition of Assets  | (236 683)          |
| Asset not recorded on Asset Register                               | 34 238             |
| Transfer Heritage Asset to Property, Plant and Equipment           | 262 337            |
| Asset Disposal not recorded  | (49 664)           |
| Asset Disposal not recorded  | 31 535             |
| Asset Disposal not recorded  | 207                |
| Correction of Asset Class  | 153 777            |
| <b>Restated Opening Balance 01 July 2012</b>                       | <b>466 010 106</b> |
| Transfer from Property, Plant and Equipment                        | (376 000)          |
| Transfer from Property, Plant and Equipment to Investment Property | (440 000)          |
| Correction of depreciation on book value of assets                 | 17 854             |
| Restated Balance as at 30 June 2013                                | <b>465 211 960</b> |

Correction of error - Refer to note 13



#### 40.4 HERITAGE ASSETS

|  |                |
|--|----------------|
| <b>Balance previously reported</b>             | 939 000        |
| Asset incorrectly classified as Heritage Asset | (290 000)      |
| Restated Balance as at 30 June 2013            | <b>649 000</b> |

Major part of the asset is used for office accommodation and must be classified as Property, Plant and Equipment

Correction of error - Refer to note 16

#### 40.5 INVESTMENT PROPERTY

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>   | 26 951 138        |
| Transfer from Property, Plant and Equipment                                  | 440 000           |
| Depreciation was incorrectly allocated against Property, Plant and Equipment | (1 589)           |
| Restated Balance as at 30 June 2013  | <b>27 389 549</b> |

Depreciation was incorrectly allocated against Property, Plant and Equipment

Correction of error - Refer to note 14

#### 40.6 NON CURRENT ASSETS HELD FOR SALE

|  |                  |
|--|------------------|
| <b>Balance previously reported</b>         | 3 460 209        |
| Asset was sold in 2012/2013 financial year | (50 000)         |
| Restated Balance as at 30 June 2013        | <b>3 410 209</b> |

Asset was sold in 2012/2013 financial year

Correction of error - Refer to note 20

#### 40.7 OPERATING LEASE ASSET

|   |                |
|---|----------------|
| <b>Balance previously reported</b>        | 127 530        |
| Contracts up to 30 June 2012 not included | 3 220          |
| Contracts up to 30 June 2013 not included | 16 576         |
| Restated Balance as at 30 June 2013       | <b>147 326</b> |

Lease contracts was not included in initial calculation

Correction of error - Refer to note 24

#### 40.8 PAYABLES FROM EXCHANGE TRANSACTIONS

|   |                   |
|---|-------------------|
| <b>Balance previously reported</b>                        | 40 829 847        |
| Water Bulk Purchases account not accrued for in 2012/2013 | 113 197           |
| Water Bulk Purchases account not accrued for in 2012/2013 | 8 346             |
| WCA accrual not accounted for in 2012/2013                | 115 276           |
| Accrual not accounted for in 2012/2013                    | 6 825             |
| Retentions and Guarentees not recorded                    | (356 048)         |
| Restated Balance as at 30 June 2013                       | <b>40 717 443</b> |

Accruals not accounted for in 2012/2013

Correction of error - Refer to note 9

#### 40.9 RECEIVABLES FROM EXCHANGE TRANSACTIONS

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>   | 31 309 093        |
| VAT on Retention previously disclosed under Receivables from Exchange Transactions | (73 484)          |
| Restated Balance as at 30 June 2013  | <b>31 235 610</b> |

Retention not accounted for in 2012/2013

Correction of error - Refer to note 22

#### 40.10 TAXES

|  |                |
|--|----------------|
| <b>Balance previously reported</b>   | 539 810        |
| VAT on Retention previously disclosed under Receivables from Exchange Transactions | 73 484         |
| VAT on Retention not accounted for   | 17 394         |
| VAT on unrecorded accrual not accounted for  | 13 901         |
| Restated Balance as at 30 June 2013  | <b>644 589</b> |

VAT on unrecorded accrual not accounted for

Correction of error - Refer to note 12.3

#### 40.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

|  |                  |
|--|------------------|
| <b>Balance previously reported</b>                         | <b>9 661 673</b> |
| Revenue Recognition on LG SETA grant prior to 30 June 2012 | (313 203)        |
| Revenue Recognition on LG SETA grant for 2012/2013         | (551 813)        |
| Restated Balance as at 30 June 2013                        | <b>8 796 656</b> |

Revenue Recognition on Grant Expenditure not accounted for

Correction of error - Refer to note 10

#### 40.12 ACTUARIAL LOSSES

|  |                |
|--|----------------|
| <b>Balance previously reported</b>   | <b>375 288</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | (101 802)      |
| Restated Balance as at 30 June 2013  | <b>273 486</b> |

Correction of error - Refer to note 4

#### 40.13 AGENCY SERVICES

|  |                  |
|--|------------------|
| <b>Balance previously reported</b>   | <b>1 929 048</b> |
| Correction of Error as the municipality can only recognise the % portion due to it for rendering an Agency Function. | 240 401          |
| Restated Balance as at 30 June 2013  | <b>2 169 449</b> |

Correction of error - Refer to Statement of Financial Performance

#### 40.14 BULK PURCHASES

|   |                    |
|---|--------------------|
| <b>Balance previously reported</b>                          | <b>176 527 517</b> |
| Water Bulk Purchases accrual not accounted for in 2012/2013 | 107 642            |
| Restated Balance as at 30 June 2013                         | <b>176 635 158</b> |

Correction of error - Refer to note 36

#### 40.15 EMPLOYEE RELATED COSTS

|  |                    |
|--|--------------------|
| <b>Balance previously reported</b>   | <b>118 437 567</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | (20 932)           |
| Reclassify FMG grant expenditure as Employee Related Costs   | 497 686            |
| Reclassify EPWP grant expenditure as Employee Related Costs  | 964 868            |
| Restated Balance as at 30 June 2013  | <b>119 879 190</b> |

Correction of error - Refer to note 30

**40.16 FINANCE CHARGES**

|  |                  |
|--|------------------|
| <b>Balance previously reported</b>   | <b>7 149 831</b> |
| Correction of Error: LSA pay out is on total cost to company but the provision was based on basic salaries hence a correction to base the provision on total cost to company | 114 274          |
| Restated Balance as at 30 June 2013  | <b>7 264 105</b> |

Correction of error - Refer to note 35

**40.17 GENERAL EXPENSES**

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>                                   | <b>42 069 249</b> |
| Correct Accounting treatment of Agency Fees Expenditure              | 120 348           |
| Raising Receivable for Bursaries awarded to staff                    | (43 659)          |
| Internal Municipal Charges incorrectly allocated to General Expenses | (3 639)           |
| WCA accrual not accounted for in 2012/2013                           | 115 276           |
| Reclassify FMG grant expenditure as General Expenditure              | 660 941           |
| Reclassify Housing grant expenditure as General Expenditure          | 9 132 194         |
| Reclassify CDW grant expenditure as General Expenditure              | 32 000            |
| Restated Balance as at 30 June 2013                                  | <b>52 082 710</b> |

Correction of error - Refer to note 38

**40.18 GOVERNMENT GRANTS AND SUBSIDIES - OPERATING**

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>                 | <b>78 431 168</b> |
| Revenue Recognition on LG SETA grant for 2012/2013 | 551 813           |
| Restated Balance as at 30 June 2013                | <b>78 982 981</b> |

Correction of error - Refer to note 27

**40.19 OPERATING GRANT EXPENDITURE**

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>                           | <b>11 207 558</b> |
| Retentions and Guarantees not recorded VAT exclusive         | 124 244           |
| Reclassify FMG grant expenditure as General Expenditure      | (660 941)         |
| Reclassify FMG grant expenditure as Employee Related Costs   | (497 686)         |
| Reclassify Housing grant expenditure as General Expenditure  | (9 132 194)       |
| Reclassify EPWP grant expenditure as Employee Related Costs  | (964 868)         |
| Reclassify CDW grant expenditure as General Expenditure      | (32 000)          |
| Reclassify INEP grant expenditure as Repairs and Maintenance | (44 112)          |
| Restated Balance as at 30 June 2013                          | <b>0</b>          |

Correction of error - Refer to notes 9, 30, 38 and 40.31

**40.20 RENTAL OF FACILITIES AND EQUIPMENT**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>              | <b>2 074 316</b> |
| Lease Contracts up to 30 June 2013 not included | 16 576           |
| Restated Balance as at 30 June 2013             | <b>2 090 892</b> |

Correction of error - Refer to note 24

**40.21 LICENCES AND PERMITS**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>                    | <b>1 239 538</b> |
| Correction on Accounting Treatment of Agency Services | (126 877)        |
| Restated Balance as at 30 June 2013                   | <b>1 112 661</b> |

Correction of error - Refer to note 40.13

**40.22 DEPRECIATION AND AMORTIZATION**

|   |                   |
|---|-------------------|
| <b>Balance previously reported</b>  | <b>16 753 805</b> |
| Correction of Book Values on Assets where depreciation charges was recorded incorrectly | 60 322            |
| Restated Balance as at 30 June 2013   | <b>16 814 127</b> |

Correction of error - Refer to note 33

**40.23 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>  | <b>3 629 819</b> |
| Adjustment against the opening balance of Unappropriated Surplus (01/07/2012) | <b>365 926</b>   |
| Reversal of incorrect receivable  | (261 468)        |
| Recognising traffic fines receivable  | 3 191 065        |
| Allocations of traffic fines receipts against receivable                      | (929 402)        |
| Provision for Impairment  | (1 634 270)      |
| Sub Total   | 3 995 745        |
| Reversal of incorrect receivable  | 187 577          |
| Recognising traffic fines receivable  | 3 154 230        |
| Allocations of traffic fines receipts against receivable                      | (402 700)        |
| Provision for Impairment  | (2 400 228)      |
| Impairment of Traffic Fines (Provision for Impairment)                        | 2 261 663        |
| Impairment of Traffic Fines (Non - Exchange Receivable)                       | (2 261 663)      |
| Recognising Operating Expenditure incorrectly done against Suspense Vote      | (210 151)        |
| Recognising Operating Expenditure incorrectly done against Suspense Vote      | (237 416)        |
| Recognising Operating Expenditure incorrectly done against Suspense Vote      | (796)            |
| Restated Balance as at 30 June 2013   | <b>4 086 260</b> |

With the implementation of IGRAP 1 it was noticed that GRAP 23 was implemented incorrectly and a prior period correction was done.

Correction of error - Refer to note 23

**40.24 LONG TERM RECEIVABLES**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>                | <b>3 451 815</b> |
| Raising Receivable for Bursaries awarded to staff | 93 770           |
| Restated Balance as at 30 June 2013               | <b>3 545 585</b> |

Correction of error - Refer to note 19

**40.25 OTHER INCOME**

|   |                   |
|---|-------------------|
| <b>Balance previously reported</b>                | <b>10 498 358</b> |
| Raising Receivable for Bursaries awarded to staff | (28 888)          |
| Restated Balance as at 30 June 2013               | <b>10 469 470</b> |

Correction of error - Refer to note 29

**40.26 SERVICE CHARGES**

|  |                    |
|--|--------------------|
| <b>Balance previously reported</b>                                   | <b>276 237 128</b> |
| Internal Municipal Charges incorrectly allocated to General Expenses | (3 639)            |
| Restated Balance as at 30 June 2013                                  | <b>276 233 489</b> |

Correction of error - Refer to note 28

**40.27 FINES**

|                                      |                  |
|--------------------------------------|------------------|
| <b>Balance previously reported</b>   | <b>1 079 319</b> |
| Recognising traffic fines receivable | 2 939 107        |
| Restated Balance as at 30 June 2013  | <b>4 018 426</b> |

Correction of error - Refer to note 40.23

**40.28 INTEREST EARNED - EXTERNAL INVESTMENTS**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>  | <b>4 556 735</b> |
| Interest Earned on outstanding debtors was incorrectly linked to Interest Earned - External Investments | (1 250 428)      |
| Restated Balance as at 30 June 2013   | <b>3 306 307</b> |

Correction of Error Refer to Statement of Financial Performance

**40.28 INTEREST EARNED - OUTSTANDING DEBTORS**

|   |                  |
|---|------------------|
| <b>Balance previously reported</b>  | <b>1 617 204</b> |
| Interest Earned on outstanding debtors was incorrectly linked to Interest Earned - External Investments | 1 250 428        |
| Restated Balance as at 30 June 2013   | <b>2 867 632</b> |

Correction of Error Refer to Statement of Financial Performance

**40.29 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

|  |                |
|--|----------------|
| <b>Balance previously reported</b>                             | <b>552 618</b> |
| Correction on Loss on Sale of Assets derecognised in 2012/2013 | 349 205        |
| Restated Balance as at 30 June 2013                            | <b>901 823</b> |

Correction of Error Refer to Statement of Financial Performance

**40.30 CASH FLOW FROM INVESTING ACTIVITIES**

|   |                 |
|---|-----------------|
| <b>Decrease/(Increase) in Non-current Investments</b> |                 |
| <b>Balance previously reported</b>                    | <b>(39 068)</b> |
| Decrease/(Increase) in Non-current Investments        | 39 068          |
| Restated Balance as at 30 June 2013                   | <b>-</b>        |

Correction of Error Refer to Cash Flow Statement

**40.31 REPAIRS AND MAINTENANCE**

|  |                   |
|--|-------------------|
| <b>Balance previously reported</b>                           | <b>12 097 894</b> |
| Reclassify INEP grant expenditure as Repairs and Maintenance | 44 112            |
| Restated Balance as at 30 June 2013                          | <b>12 142 007</b> |

Correction of Error Refer to Statement of Financial Performance

| 41 | RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | 2014              | 2013              |
|----|---|-------------------|-------------------|
|    |   | R                 | R                 |
|    | Surplus/(Deficit) for the year  | 21 365 594        | 33 871 688        |
|    | <b>Adjustments for:</b>   |                   |                   |
|    | Depreciation/Amortisation   | 19 970 964        | 16 814 127        |
|    | Loss on disposal of property, plant and equipment   | 234 697           | 901 823           |
|    | (Gains) on disposal of property, plant and equipment  | -                 | -                 |
|    | Fair Value Adjustments  | (19 005)          | (39 068)          |
|    | Impairment Loss   | 200 000           | -                 |
|    | Impairment (Reversals)  | -                 | (3 331 913)       |
|    | Contributions to Non-Current Provisions   | 7 167 332         | 6 282 900         |
|    | Debt Impairment   | 15 393 692        | 13 599 603        |
|    | Actuarial Losses  | -                 | -                 |
|    | Actuarial (Gains)   | 3 938 661         | (977 503)         |
|    | Unamortised discount  | 56 494            | 36 319            |
|    | Bad debt written-off  | (7 332 646)       | (8 862 695)       |
|    | Finance charges   | 61 946            | (60 624)          |
|    | Operating lease income accrued  | 8 986             | (74 085)          |
|    | Operating Surplus/(Deficit) before changes in working capital   | 61 046 715        | 58 160 572        |
|    | Changes in working capital  | (15 064 141)      | (2 439 672)       |
|    | Increase/(Decrease) in Payables from exchange transactions  | 3 084 663         | 7 134 584         |
|    | Increase/(Decrease) in Provisions   | (714 099)         | (1 308 787)       |
|    | Increase/(Decrease) in Employee benefits  | (1 955 230)       | (1 700 406)       |
|    | Increase/(Decrease) in Unspent Conditional Government Grants and Receipts                             | (5 559 184)       | 2 120 375         |
|    | Increase/(Decrease) in Unspent Public Contributions   | 606 581           | 325 000           |
|    | Increase/(Decrease) in Taxes  | (863 611)         | (1 487 520)       |
|    | (Increase)/Decrease in Inventory  | (1 199 629)       | (8 335 248)       |
|    | (Increase)/Decrease in Receivables from exchange and non-exchange transactions                        | (7 152 579)       | 1 062 330         |
|    | (Increase)/Decrease in Unpaid Conditional Government Grants and Receipts                              | (1 311 052)       | (250 000)         |
|    | <b>Cash generated/(absorbed) by operations</b>  | <b>45 982 573</b> | <b>55 720 900</b> |
| 42 | <b>CASH AND CASH EQUIVALENTS</b>  |                   |                   |
|    | Cash and cash equivalents included in the cash flow statement comprise the following:                 |                   |                   |
|    | Call Investments Deposits - Note 25   | 50 000 000        | 60 000 000        |
|    | Cash Floats - Note 25   | 7 510             | 7 717             |
|    | Bank - Note 25  | 11 189 405        | 11 274 412        |
|    | <b>Total cash and cash equivalents</b>  | <b>61 196 915</b> | <b>71 282 129</b> |
| 43 | <b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>                                      |                   |                   |
|    | Cash and Cash Equivalents - Note 42   | 61 196 915        | 71 282 129        |
|    | Investments - Note 18   | 109 623           | 90 617            |
|    |   | 61 306 537        | 71 372 746        |
|    | Less:   | 3 237 473         | 8 796 656         |
|    | Unspent Committed Conditional Grants - Note 10  | 3 237 473         | 8 796 656         |
|    | VAT - Note 12   | -                 | -                 |
|    | <b>Resources available for working capital requirements</b>   | <b>58 069 065</b> | <b>62 576 090</b> |
|    | <b>Allocated to:</b>  |                   |                   |
|    | Capital Replacement Reserve   | 37 139 419        | 42 715 822        |
|    | Employee Benefits   | 13 938 111        | 13 699 792        |
|    | Non-Current Provisions  | 5 237 287         | 4 424 361         |
|    | <b>Resources available for working capital requirements</b>   | <b>1 754 247</b>  | <b>1 736 115</b>  |

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

|   |              |              |
|---|--------------|--------------|
| Long-term Liabilities - Note 3                              | 33 564 440   | 37 290 700   |
| Used to finance property, plant and equipment - at cost     | (33 564 440) | (37 290 700) |
|   | -            | -            |
| Cash set aside for the repayment of long-term liabilities   | -            | -            |
| <b>Cash invested for repayment of long-term liabilities</b> | <b>-</b>     | <b>-</b>     |

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

45 BUDGET COMPARISONS

|   | 2014<br>R<br>(Actual) | 2014<br>R<br>(Budget) | 2014<br>R<br>(Variance) | 2014<br>R<br>(%) |
|---|-----------------------|-----------------------|-------------------------|------------------|
| <b>45.1 Operational</b>                           |                       |                       |                         |                  |
| <b>Revenue by source</b>                          |                       |                       |                         |                  |
| Property Rates                                    | 32 283 527            | 32 426 480            | (142 953)               | 0%               |
| Government Grants and Subsidies - Capital         | 25 489 676            | 26 339 557            | (849 881)               | -3%              |
| Government Grants and Subsidies - Operating       | 75 036 718            | 82 480 187            | (7 443 469)             | -9%              |
| Public Contributions and Donations                | 14 900                | 325 000               | (310 100)               | -95%             |
| Gain on Foreign Exchange Transaction              | -                     | -                     | -                       | 0%               |
| Actuarial Gains                                   | 291 583               | -                     | 291 583                 | 0%               |
| Fair Value Adjustments                            | 19 005                | -                     | 19 005                  | 0%               |
| Fines   | 10 845 894            | 2 142 610             | 8 703 284               | 406%             |
| Impairment Reversal                               | -                     | -                     | -                       | 0%               |
| Stock Adjustments                                 | -                     | -                     | -                       | 0%               |
| Service Charges                                   | 294 331 373           | 313 104 220           | (18 772 847)            | -6%              |
| Rental of Facilities and Equipment                | 2 053 464             | 2 516 100             | (462 636)               | -18%             |
| Interest Earned - external investments            | 2 843 597             | 2 000 600             | 842 997                 | 42%              |
| Interest Earned - outstanding debtors             | 3 286 837             | 2 925 120             | 361 717                 | 12%              |
| Licences and Permits                              | 1 077 339             | 1 335 450             | (258 111)               | -19%             |
| Agency Services                                   | 2 489 816             | 2 126 090             | 363 726                 | 17%              |
| Other Income                                      | 12 522 330            | 14 211 310            | (1 688 980)             | -12%             |
| Unamortised Discount - Interest                   | 67 882                | -                     | 67 882                  | 0%               |
| Gain on disposal of Property, Plant and Equipment | -                     | -                     | -                       | 0%               |
|   | 462 653 942           | 481 932 724           | (19 278 782)            | -4%              |
| <b>Expenditure by nature</b>                      |                       |                       |                         |                  |
| Employee related costs                            | 129 208 326           | 132 962 292           | (3 753 966)             | -3%              |
| Remuneration of Councillors                       | 7 714 307             | 7 967 430             | (253 123)               | -3%              |
| Debt Impairment                                   | 14 798 877            | 7 923 690             | 6 875 187               | 87%              |
| Depreciation and Amortisation                     | 19 970 964            | 17 627 930            | 2 343 034               | 13%              |
| Collection costs                                  | 1 179 389             | 1 075 000             | 104 389                 | 10%              |
| Impairments                                       | 200 000               | -                     | 200 000                 | 0%               |
| Repairs and Maintenance                           | 14 855 602            | 13 660 797            | 1 194 805               | 9%               |
| Actuarial losses                                  | 4 230 244             | -                     | 4 230 244               | 0%               |
| Unamortised Discount - Interest paid              | 124 376               | -                     | 124 376                 | 0%               |
| Finance Charges                                   | 7 569 829             | 6 779 750             | 790 079                 | 12%              |
| Bulk Purchases                                    | 184 970 315           | 195 454 720           | (10 484 405)            | -5%              |
| Contracted services                               | 1 179 569             | 1 299 448             | (119 879)               | -9%              |
| Grants and Subsidies                              | -                     | 86 790                | (86 790)                | -100%            |
| Stock Adjustments                                 | 33 146                | (120 600)             | 153 746                 | 0%               |
| Operating Grant Expenditure                       | -                     | -                     | -                       | 0%               |
| General Expenses                                  | 55 018 706            | 70 609 835            | (15 591 129)            | -22%             |
| Loss on disposal of Property, Plant and Equipment | 234 697               | -                     | 234 697                 | 0%               |
| Fair Value Adjustments                            | -                     | -                     | -                       | 0%               |
|   | 441 288 348           | 455 327 082           | (14 038 734)            | -3%              |
| <b>Net Surplus for the year</b>                   | <b>21 365 594</b>     | <b>26 605 642</b>     | <b>(5 240 048)</b>      | <b>-20%</b>      |

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Comparison between last approved budget and final budget:**

|   | 2014<br>R<br>(Approved<br>Budget) | 2014<br>R<br>(Final Budget) | 2014<br>R<br>(Variance) | 2014<br>R<br>(%) | Explanation for<br>Variances |
|---|-----------------------------------|-----------------------------|-------------------------|------------------|------------------------------|
| <b>Operational</b>                                |                                   |                             |                         |                  |                              |
| <b>Revenue by source</b>                          |                                   |                             |                         |                  |                              |
| Property Rates                                    | 32 426 480                        | 32 426 480                  | -                       | 0%               |                              |
| Property rates - penalties & collection charges   | -                                 | -                           | -                       | 0%               |                              |
| Government Grants and Subsidies - Capital         | 26 339 557                        | 26 339 557                  | -                       | 0%               |                              |
| Government Grants and Subsidies - Operating       | 82 480 187                        | 82 480 187                  | -                       | 0%               |                              |
| Public Contributions and Donations                | 325 000                           | 325 000                     | -                       | 0%               |                              |
| Gain on Foreign Exchange Transaction              | -                                 | -                           | -                       | 0%               |                              |
| Actuarial Gains                                   | -                                 | -                           | -                       | 0%               |                              |
| Fair Value Adjustments                            | -                                 | -                           | -                       | 0%               |                              |
| Fines   | 2 142 610                         | 2 142 610                   | -                       | 0%               |                              |
| Impairment Reversal                               | -                                 | -                           | -                       | 0%               |                              |
| Stock Adjustments                                 | -                                 | -                           | -                       | 0%               |                              |
| Service Charges                                   | 313 104 220                       | 313 104 220                 | -                       | 0%               |                              |
| Rental of Facilities and Equipment                | 2 516 100                         | 2 516 100                   | -                       | 0%               |                              |
| Interest Earned - external investments            | 2 000 600                         | 2 000 600                   | -                       | 0%               |                              |
| Interest Earned - outstanding debtors             | 2 925 120                         | 2 925 120                   | -                       | 0%               |                              |
| Licences and Permits                              | 1 369 670                         | 1 335 450                   | 34 220                  | 3%               |                              |
| Agency Services                                   | 2 126 090                         | 2 126 090                   | -                       | 0%               |                              |
| Other Income                                      | 14 177 090                        | 14 211 310                  | (34 220)                | 0%               |                              |
| Unamortised Discount - Interest                   | -                                 | -                           | -                       | 0%               |                              |
| Gain on disposal of Property, Plant and Equipment | -                                 | -                           | -                       | 0%               |                              |
|   | 481 932 724                       | 481 932 724                 | -                       | 0%               |                              |
| <b>Expenditure by nature</b>                      |                                   |                             |                         |                  |                              |
| Employee related costs                            | 131 927 160                       | 132 962 292                 | (1 035 132)             | 0%               |                              |
| Remuneration of Councillors                       | 7 967 430                         | 7 967 430                   | -                       | 0%               |                              |
| Debt Impairment                                   | 7 923 690                         | 7 923 690                   | -                       | 0%               |                              |
| Depreciation and Amortisation                     | 17 627 930                        | 17 627 930                  | -                       | 0%               |                              |
| Collection costs                                  | 1 075 000                         | 1 075 000                   | -                       | 0%               |                              |
| Impairments                                       | -                                 | -                           | -                       | 0%               |                              |
| Repairs and Maintenance                           | 13 541 965                        | 13 660 797                  | (118 832)               | -1%              |                              |
| Actuarial losses                                  | -                                 | -                           | -                       | 0%               |                              |
| Unamortised Discount - Interest paid              | -                                 | -                           | -                       | 0%               |                              |
| Finance Charges                                   | 6 779 750                         | 6 779 750                   | -                       | 0%               |                              |
| Bulk Purchases                                    | 195 454 720                       | 195 454 720                 | -                       | 0%               |                              |
| Contracted services                               | 1 488 620                         | 1 299 448                   | 189 172                 | 15%              |                              |
| Grants and Subsidies                              | 86 790                            | 86 790                      | -                       | 0%               |                              |
| Stock Adjustments                                 | -                                 | -120 600                    | 120 600                 | -100%            |                              |
| Operating Grant Expenditure                       | 20 112 492                        | -                           | 20 112 492              | 100%             |                              |
| General Expenses                                  | 51 341 535                        | 70 609 835                  | (19 268 300)            | -27%             |                              |
| Loss on disposal of Property, Plant and Equipment | -                                 | -                           | -                       | 0%               |                              |
| Fair Value Adjustments                            | -                                 | -                           | -                       | 0%               |                              |
|   | 455 327 082                       | 455 327 082                 | (0)                     | 0%               |                              |
| <b>Net Surplus for the year</b>                   | <b>26 605 642</b>                 | <b>26 605 642</b>           | <b>0</b>                | <b>0%</b>        |                              |



**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

|                                 | <b>2014<br/>R<br/>(Actual)</b> | <b>2014<br/>R<br/>(Budget)</b> | <b>2014<br/>R<br/>(Variance)</b> | <b>2014<br/>R<br/>(%)</b> |
|---------------------------------|--------------------------------|--------------------------------|----------------------------------|---------------------------|
| <b>45.2 Expenditure by Vote</b> |                                |                                |                                  |                           |
| Corporate services              | 42 461 974                     | 35 700 850                     | 6 761 124                        | 19%                       |
| Engineering Services            | 310 066 045                    | 328 735 412                    | (18 669 367)                     | -6%                       |
| Executive & Council             | 22 965 699                     | 25 536 303                     | (2 570 604)                      | -10%                      |
| Finance                         | 24 798 271                     | 20 497 937                     | 4 300 334                        | 21%                       |
| Strategy & Social Development   | 40 996 358                     | 44 856 580                     | (3 860 222)                      | -9%                       |
|                                 | <b>441 288 348</b>             | <b>455 327 082</b>             | <b>(14 038 734)</b>              | <b>-3%</b>                |

**Comparison between last approved budget and final budget:**

|                               | <b>2014<br/>R<br/>(Approved<br/>Budget)</b> | <b>2014<br/>R<br/>(Final Budget)</b> | <b>2014<br/>R<br/>(Variance)</b> | <b>2014<br/>R<br/>(%)</b> | <b>Explanation for<br/>Variances</b> |
|-------------------------------|---|--------------------------------------|----------------------------------|---------------------------|--------------------------------------|
| <b>Expenditure by Vote</b>    |   |                                      |                                  |                           |                                      |
| Corporate services            | 35 735 250                                  | 35 700 850                           | 34 400                           | 0%                        |                                      |
| Engineering Services          | 328 570 310                                 | 328 735 412                          | (165 102)                        | 0%                        |                                      |
| Executive & Council           | 25 862 903                                  | 25 536 303                           | 326 600                          | 1%                        |                                      |
| Finance                       | 20 140 937                                  | 20 497 937                           | (357 000)                        | -2%                       |                                      |
| Strategy & Social Development | 45 017 682                                  | 44 856 580                           | 161 102                          | 0%                        |                                      |
|                               | <b>455 327 082</b>                          | <b>455 327 082</b>                   | <b>(0)</b>                       | <b>0%</b>                 |                                      |

|   | <b>2014<br/>R<br/>(Actual)</b> | <b>2014<br/>R<br/>(Budget)</b> | <b>2014<br/>R<br/>(Variance)</b> | <b>2014<br/>R<br/>(%)</b> |
|---|--------------------------------|--------------------------------|----------------------------------|---------------------------|
| <b>45.3 Capital expenditure by vote</b> |                                |                                |                                  |                           |
| Corporate Services                      | 4 048 477                      | 4 721 631                      | (673 154)                        | -14%                      |
| Engineering Services                    | 42 277 520                     | 45 771 605                     | (3 494 085)                      | -8%                       |
| Executive & Council                     | 680 518                        | 1 000 000                      | (319 482)                        | -32%                      |
| Finance                                 | -                              | -                              | -                                | 0%                        |
| Service Intergration                    | -                              | -                              | -                                | 0%                        |
| Strategy & Social Development           | 5 531 697                      | 5 918 550                      | (386 853)                        | -7%                       |
|   | <b>52 538 213</b>              | <b>57 411 786</b>              | <b>(4 873 573)</b>               | <b>-8%</b>                |

**Comparison between last approved budget and final budget:**

|                                    | <b>2014<br/>R<br/>(Approved<br/>Budget)</b> | <b>2014<br/>R<br/>(Final Budget)</b> | <b>2014<br/>R<br/>(Variance)</b> | <b>2014<br/>R<br/>(%)</b> | <b>Explanation for<br/>Variances</b> |
|------------------------------------|---|--------------------------------------|----------------------------------|---------------------------|--------------------------------------|
| <b>Capital expenditure by vote</b> |   |                                      |                                  |                           |                                      |
| Corporate Services                 | 4 721 631                                   | 4 721 631                            | -                                | 0%                        |                                      |
| Engineering Services               | 45 771 605                                  | 45 771 605                           | -                                | 0%                        |                                      |
| Executive & Council                | 1 000 000                                   | 1 000 000                            | -                                | 0%                        |                                      |
| Finance                            | -   | -                                    | -                                | 0%                        |                                      |
| Service Intergration               | -   | -                                    | -                                | 0%                        |                                      |
| Strategy & Social Development      | 5 918 550                                   | 5 918 550                            | -                                | 0%                        |                                      |
|                                    | <b>57 411 786</b>                           | <b>57 411 786</b>                    | <b>-</b>                         | <b>0%</b>                 |                                      |

46

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2014  
R

2013  
R

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

-

-

Unauthorised expenditure for the year - capital

-

-

Unauthorised expenditure for the year - operating

11 061 458

-

Written off by council

-

-

Transfer to receivables for recovery

-

-

Unauthorised expenditure awaiting authorisation

11 061 458

-

Unauthorised expenditure on operating votes is mainly attributable to the actuarial loss on the employee benefits and the implementation of IGRAP 1 relating to Traffic Fines.

Incident

Disciplinary steps/criminal proceedings

None

46.2 Fruitless and wasteful expenditure

2014  
R

2013  
R

Two reported incidents are being investigated

465 952

46.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance

-

-

Irregular expenditure for the year

-

-

Written off by council

-

-

Transfer to receivables for recovery

-

-

Irregular expenditure awaiting further action

-

-

46.4 Material Losses

2014

2013

Water distribution losses

- Kilo litres disinfected/purified/purchased

7 431 280

7 941 360

- Kilo litres lost during distribution

850 810

1 445 900

- Percentage lost during distribution

11.45%

18.21%

Electricity distribution losses

- Units purchased (Kwh)

281 339 860

289 880 332

- Units lost during distribution (Kwh)

17 983 223

21 361 110

- Percentage lost during distribution

6.39%

7.37%

| 47   | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT   | 2014<br>R        | 2013<br>R        |
|------|---|------------------|------------------|
| 47.1 | <b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>   |                  |                  |
|      | Opening balance   | -                | -                |
|      | Council subscriptions   | 1 199 114        | 998 217          |
|      | Amount paid - current year  | (1 199 114)      | (998 217)        |
|      | Amount paid - previous years  | -                | -                |
|      | <b>Balance unpaid (included in creditors)</b>   | <b>-</b>         | <b>-</b>         |
| 47.2 | <b><u>Audit fees - [MFMA 125 (1)(b)]</u></b>  |                  |                  |
|      | Opening balance   | 29 528           | 258 975          |
|      | Current year audit fee  | 2 252 816        | 1 864 590        |
|      | External Audit - Auditor-General  | 2 210 391        | 1 816 376        |
|      | Audit Committee   | 42 425           | 48 214           |
|      | Amount paid - current year  | (2 282 343)      | (2 094 038)      |
|      | Amount paid - previous year   | -                | -                |
|      | <b>Balance unpaid (included in creditors)</b>   | <b>-</b>         | <b>29 528</b>    |
| 47.3 | <b><u>VAT - [MFMA 125 (1)(b)]</u></b>   |                  |                  |
|      | Opening balance   | 2 580 626        | 6 067 935        |
|      | Amounts received - current year   | 43 335 553       | 40 768 437       |
|      | Amounts received - previous years   | (2 580 626)      | (6 067 935)      |
|      | Amounts claimed - current year  | (39 037 499)     | (38 187 811)     |
|      | <b>Closing balance - Receivable</b>   | <b>4 298 055</b> | <b>2 580 626</b> |
|      | Vat in suspense due to cash basis of accounting   |                  |                  |
|      | Input VAT   | 3 949 423        | 3 846 251        |
|      | Output VAT  | (5 956 515)      | (6 199 905)      |
|      | Receivable  | (2 007 092)      | (2 353 654)      |
|      | 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><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>   |                  |                  |
|      | Opening balance   | -                | -                |
|      | Current year payroll deductions and Council Contributions   | (15 663 966)     | (13 378 457)     |
|      | Amount paid - current year  | 15 663 966       | 13 378 457       |
|      | <b>Balance unpaid (included in creditors)</b>   | <b>-</b>         | <b>-</b>         |
| 47.5 | <b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>  |                  |                  |
|      | Opening balance   | -                | -                |
|      | Current year payroll deductions and Council Contributions   | (18 175 613)     | 17 063 438       |
|      | Amount paid - current year  | 18 175 613       | (17 063 438)     |
|      | <b>Balance unpaid (included in creditors)</b>   | <b>-</b>         | <b>-</b>         |

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 at 30 June:

|  | 2014<br>R<br>Outstanding<br>more than 90<br>days | 2013<br>R<br>Outstanding<br>more than 90<br>days |
|--|--|--|
| NYAMANA, W   |  | 732  |
| VOLLENHOVEN, EJ (E J & R A VOLLENHOVEN)                        | -  | 627  |
| SWANEPOEL, J R O   |  | 42 463   |
| SWANEPOEL, J R O ( J RO SWANEPOEL, C S SWANEPOEL & D C ESTERH) |  | 4 343  |
| <b>Total Councillor Arrear Consumer Accounts</b>               | <b>-</b>   | <b>46 807</b>                                    |

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

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1)(a) and (b)

|           | <u>Type of deviation</u> |                 |            |               |            |
|-----------|--------------------------|-----------------|------------|---------------|------------|
|           | Amount                   | Single Supplier | Impossible | Impracticable | Emergency  |
| July      | 2 304 605                | 17              | -          | 53            | 5          |
| August    | 1 007 405                | 11              | -          | 64            | 10         |
| September | 395 114                  | 5               | -          | 44            | 5          |
| October   | 999 878                  | 8               | -          | 52            | 14         |
| November  | 1 293 001                | 7               | -          | 65            | 10         |
| December  | 1 831 894                | 5               | -          | 65            | 14         |
| January   | 844 736                  | 7               | -          | 73            | 14         |
| February  | 1 826 074                | 33              | -          | 29            | 13         |
| March     | 1 200 939                | 3               | -          | 87            | 16         |
| April     | 2 059 750                | 9               | -          | 86            | 8          |
| May       | 865 704                  | 8               | -          | 53            | 9          |
| June      | 969 042                  | 2               | -          | 78            | 13         |
|           | <b>15 598 141</b>        | <b>115</b>      | <b>-</b>   | <b>749</b>    | <b>131</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 |
|--|--|--|--|---|-----------------------|
| Van Niekerk & Linde                              | (Owner) A.D Rossouw  | Spouse   | S. Rossouw                                 | Teacher - WCED  | R 780 404             |
| Total Client Services LTD                        | (Director) Mr Sipoyo   | Spouse   | N.T Sipoyo                                 | Manager - Dept of Transport (W/C)                       | R 45 657              |
| Annnandale motors BK                             | (Owner) D.R Wagner   | Spouse   | E Wagner                                   | Admin clerk - Langeberg Mun                             | R 117 328             |
| Willie Rayners                                   | (Owner) W Rayners  | Child  | I. Rayners                                 | Supervisor - Water Work Langeberg Municipality          | R 566                 |
| Mark Berry Environment Consultants               | (Shareholder) M. Berry   | Spouse   | T. Berry                                   | State Adv - NPA   | R 52 000              |
| Graham & Rhona Beck Skills Center                | (Manager) M. Hoffman   | Spouse   | F. Hoffman                                 | SAPS  | R 97 019              |
| TRO-MA FIRST AID SOLUTIONS CC T/A SOUTHERN CROSS | Owner - R Theron   | Spouse   | G Theron                                   | Ass Director- Dept of Justice                           | R 17 950              |
| BERRY BRIGHT TRADE & INVEST 1043 CC              | Owner - N Buirman  | Spouse   | CC Buirman                                 | SAPS  | R 41 473              |
| MUBESKO AFRICA                                   | Manager - H. Niehaus   | Spouse   | S. Niehaus                                 | Manager - Dept of Health - N/C                          | R 51 300              |
| LUMBER & LAWN                                    | Director -   | Spouse   | J Van Zyl                                  | Teacher - WCED  | R 20 677              |
| TMM MANAGEMENT                                   | Director - TM Mgoqi  | Parent   | N.J Mgoqi                                  | Councilor - Langeberg Municipality                      | R 203 913             |

**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 |
|------------------|--|------------------------------|----------------------------------|---------------------------------|-----------------------|
|                  |  |                              |                                  |                                 |                       |

**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:

| Requirement | Relevant Legislation | Non-compliance |
|-------------|----------------------|----------------|
| None        |                      |                |

48

**CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

|                                     | 2014<br>R         | 2013<br>R         |
|-------------------------------------|-------------------|-------------------|
| Approved and contracted for:        | 16 608 687        | 10 979 040        |
| Infrastructure                      | 16 608 687        | 10 979 040        |
| Community                           | -                 | -                 |
| Other                               | -                 | -                 |
| Approved but not yet contracted for | 37 831 483        | 42 930 690        |
| Infrastructure                      | 23 011 483        | 21 959 790        |
| Community                           | 6 530 000         | 9 945 900         |
| Other                               | 8 290 000         | 11 025 000        |
| <b>Total</b>                        | <b>54 440 170</b> | <b>53 909 730</b> |

In addition to the capital commitments approved and contracted for disclosed in terms of GRAP, 37 831 483 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 | 33 361 200        | 28 844 370        |
| Government Grants           | 21 078 970        | 25 065 360        |
| Other Grants                | -                 | -                 |
| <b>Total</b>                | <b>54 440 170</b> | <b>53 909 730</b> |

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**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% (2013 - 0.5%) Increase in interest rates   | 285 297   | 349 184   |
| 0.5% (2013 - 0.5%) Decrease in interest rates | (142 648) | (174 592) |

(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 consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade Receivables comprise of a large number of ratepayers, 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 Trade 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, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable 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:

|                                 | 2014<br>% | 2014<br>R  | 2013<br>% | 2013<br>R  |
|---------------------------------|-----------|------------|-----------|------------|
| <u>Non-Exchange Receivables</u> |           |            |           |            |
| Rates and other receivables     | 100.00%   | 20 773 556 | 100.00%   | 15 139 646 |
| <u>Exchange Receivables</u>     |           |            |           |            |
| Electricity                     | 34%       | 15 732 725 | 39.97%    | 17 751 185 |
| Water                           | 12%       | 5 536 652  | 11.82%    | 5 251 522  |
| Refuse                          | 7%        | 3 031 218  | 6.79%     | 3 016 454  |
| Sewerage                        | 8%        | 3 862 025  | 8.64%     | 3 838 384  |
| Other                           | 39%       | 17 767 602 | 32.77%    | 14 554 010 |
|                                 | 100.00%   | 45 930 223 | 100.00%   | 44 411 554 |

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:

|                                 | 2014<br>% | 2014<br>R  | 2013<br>% | 2013<br>R  |
|---------------------------------|-----------|------------|-----------|------------|
| <u>Non-Exchange Receivables</u> |           |            |           |            |
| Rates and other receivables     | 100.00%   | 14 920 227 | 100.00%   | 11 053 385 |
| <u>Exchange Receivables</u>     |           |            |           |            |
| Electricity                     | 20%       | 3 002 592  | 26.01%    | 3 427 705  |
| Water                           | 23%       | 3 315 893  | 24.01%    | 3 162 953  |
| Refuse                          | 14%       | 2 103 222  | 15.66%    | 2 062 827  |
| Sewerage                        | 19%       | 2 733 184  | 20.32%    | 2 676 799  |
| Other                           | 24%       | 3 504 389  | 14.01%    | 1 845 660  |
|                                 | 100.00%   | 14 659 280 | 100%      | 13 175 944 |

## FINANCIAL RISK MANAGEMENT (CONTINUE)

|   | 2014<br>% | 2014<br>R | 2013<br>% | 2013<br>R |
|---|-----------|-----------|-----------|-----------|
| Bad debts written off per debtor class: |           |           |           |           |
| <u>Non-Exchange Receivables</u>         |           |           |           |           |
| Rates                                   | 100.00%   | 59 515    | 100.00%   | -         |
| <u>Exchange Receivables</u>             |           |           |           |           |
| Electricity                             | 1%        | 28 375    | 39.90%    | 2 634 057 |
| Water                                   | 16%       | 727 646   | 11.81%    | 779 261   |
| Refuse                                  | 14%       | 622 022   | 6.78%     | 447 605   |
| Sewerage                                | 18%       | 833 411   | 8.63%     | 569 569   |
| Other                                   | 51%       | 2 310 148 | 32.88%    | 2 170 540 |
|   | 100.00%   | 4 521 602 | 100.00%   | 6 601 032 |

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.

|   | 2014<br>R   | 2013<br>R   |
|---|-------------|-------------|
| Financial assets exposed to credit risk at year end are as follows: |             |             |
| Long term receivables   | 2 939 251   | 5 042 132   |
| Receivables from exchange transactions                              | 31 270 943  | 31 235 610  |
| Receivables from non-exchange transactions                          | 13 664 981  | 7 895 606   |
| Cash and Cash Equivalents   | 61 196 915  | 71 282 129  |
| Non-Current Investments   | 109 623     | 90 617      |
| Unpaid conditional grants and subsidies                             | 1 561 052   | 250 000     |
|   | 110 742 764 | 115 796 094 |

## (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<br>years | Between 5 and<br>10 years | Over 10 Years |
|--|------------------|--------------------------|---------------------------|---------------|
| <b>2014</b>  |                  |                          |                           |               |
| Long Term liabilities                              | 7 380 486        | 26 163 630               | 13 505 708                | -             |
| Capital repayments                                 | 4 290 003        | 19 703 915               | 11 417 387                | -             |
| Interest   | 3 090 484        | 6 459 715                | 2 088 321                 | -             |
| Trade and Other Payables                           | 37 331 387       | -                        | -                         | -             |
| Unspent conditional government grants and receipts | 3 237 473        | -                        | -                         | -             |
| Cash and Cash Equivalents                          | -                | -                        | -                         | -             |
|  | 47 949 346       | 26 163 630               | 13 505 708                | -             |



49 FINANCIAL RISK MANAGEMENT (CONTINUE)

| 2013   | Less than 1 year  | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|--|-------------------|-----------------------|------------------------|---------------|
| 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                           | 37 431 048        | -                     | -                      | -             |
| Unspent conditional government grants and receipts | 8 796 656         | -                     | -                      | -             |
| Cash and Cash Equivalents                          | -                 | -                     | -                      | -             |
|  | <u>53 691 841</u> | <u>27 142 579</u>     | <u>19 674 542</u>      | <u>-</u>      |

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 bellow.

50.1 Financial Assets

Classification

Investments

|                |   |   |   |
|----------------|---|---|---|
| Fixed Deposits | Financial instruments at amortised cost | - | - |
|----------------|---|---|---|

Long-term Receivables

|   |  |           |           |
|---|--|-----------|-----------|
| Provincial Government Housing Loans - At amortised cost |  | 682 185   | 3 137 775 |
| Staff Study loans - At amortised cost                   |  | 121 878   | 128 913   |
| Services connections - At amortised cost                |  | 888 593   | 510 299   |
| Land Sales - At amortised cost                          |  | 1 106 814 | 1 146 492 |
| Short-term Installments                                 |  | 139 780   | 118 653   |
| Agreements with Consumer Debtors                        |  | -         | -         |

Receivables

|  |   |            |            |
|--|---|------------|------------|
| Receivables from exchange transactions     | Financial instruments at amortised cost | 31 270 943 | 31 235 610 |
| Receivables from non-exchange transactions | Financial instruments at amortised cost | 13 664 981 | 7 895 606  |

Other Receivables

|                                 |   |           |         |
|---------------------------------|---|-----------|---------|
| Government Subsidies and Grants | Financial instruments at amortised cost | 1 561 052 | 250 000 |
|---------------------------------|---|-----------|---------|

Short-term Investment Deposits

|               |   |            |            |
|---------------|---|------------|------------|
| Call Deposits | Financial instruments at amortised cost | 50 000 000 | 60 000 000 |
|---------------|---|------------|------------|

Bank Balances and Cash

|                          |   |                    |                    |
|--------------------------|---|--------------------|--------------------|
| Bank Balances            | Financial instruments at amortised cost | 11 189 405         | 11 274 412         |
| Cash Floats and Advances | Financial instruments at amortised cost | 7 510              | 7 717              |
|                          |   | <u>110 633 142</u> | <u>115 705 477</u> |

SUMMARY OF FINANCIAL ASSETS

|   |  |                    |                    |
|---|--|--------------------|--------------------|
| Financial instruments at amortised cost |  | <u>110 633 142</u> | <u>115 705 477</u> |
| At amortised cost                       |  | <u>110 633 142</u> | <u>115 705 477</u> |

| 50   | FINANCIAL INSTRUMENTS (CONTINUE)                |   | 2014              | 2013              |
|------|---|---|-------------------|-------------------|
| 50.2 | <b>Financial Liability</b>                      | <b>Classification</b>                   |                   |                   |
|      | <b>Long-term Liabilities</b>                    |   |                   |                   |
|      | Annuity Loans                                   | Financial instruments at amortised cost | 28 455 857        | 31 437 401        |
|      | Capitalised Lease Liability                     | Financial instruments at amortised cost | 972 515           | 1 610 618         |
|      | <b>Payables from exchange transactions</b>      |   |                   |                   |
|      | Trade Payables                                  | Financial instruments at amortised cost | 33 748 388        | 35 041 091        |
|      | Retentions and Guarantees                       | Financial instruments at amortised cost | 2 765 383         | 629 648           |
|      | Sundry Deposits                                 | Financial instruments at amortised cost | 3 551 960         | 2 335 404         |
|      | Sundry Creditors                                | Financial instruments at amortised cost | 31 039            | 54 553            |
|      | <b>Other Payables</b>                           |   |                   |                   |
|      | Government Subsidies and Grants                 | Financial instruments at amortised cost | -                 | -                 |
|      | <b>Current Portion of Long-term Liabilities</b> |   |                   |                   |
|      | Annuity Loans                                   | Financial instruments at amortised cost | 3 274 162         | 3 522 662         |
|      | Capitalised Lease Liability                     | Financial instruments at amortised cost | 861 906           | 720 019           |
|      |   |   | <b>73 661 209</b> | <b>75 351 396</b> |
|      | <b>SUMMARY OF FINANCIAL LIABILITY</b>           |   |                   |                   |
|      | Financial instruments at amortised cost         |   | <b>73 661 209</b> | <b>75 351 396</b> |

51 **EVENTS AFTER THE REPORTING DATE**

**2014**

On 26 August 2014 the municipality suffered a loss as the Robertson Museum which is a Heritage Asset with a historical cost of R 389 000 was damaged while undergoing renovations.

**2013**

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

52 **IN-KIND DONATIONS AND ASSISTANCE**

**2014**

**2013**

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**

**2014**

There is currently a claim against council for R 2.5 M instituted by the family of a person who was injured on the municipal dumping site and later died.

It was previously reported that IMATU had applied to the Constitutional Court for leave to appeal the wage curve judgement as delivered by the Labour Appeal Court earlier this year. The matter has been considered by the Constitutional Court and the Registrar of Court has notified IMATU that the Court has denied their application for leave to appeal. The matter will therefore not be heard by the Court and this effectively brings the wage curve dispute to a close.

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.

**CONTINGENT ASSET**

**2014**

**2013**

55

**RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / 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 councillors 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 Councillors or staff have an interest.

| LANGEBERG MUNICIPALITY  |                |                 |            |               |   |  |               |                                    |             |  |  |                      |                          |                                |  |
|---|----------------|-----------------|------------|---------------|---|--|---------------|------------------------------------|-------------|--|--|----------------------|--------------------------|--------------------------------|--|
| APPENDIX A SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2014 |                |                 |            |               |   |  |               |                                    |             |  |  |                      |                          |                                |  |
| Financial Institution   | Account Number | Contract Number | Redeemable | Interest Rate | Opening Balance<br>(outstanding<br>capital)<br>30/06/2013 | Received<br>During The<br>Year / New<br>Lease<br>Agreement | Interest Paid | Installments<br>during the<br>year | Adjustments | Interest<br>Payable Till<br>30/06/2014 | Closing<br>Balance<br>(outstanding<br>capital)<br>30/06/2014 | Current<br>Liability | Non-current<br>Liability | Payments<br>made in<br>advance | Interest<br>Payable Till<br>30/06/2014 |
| ANNUITY LOANS   |                |                 |            |               |   |  |               |                                    |             |  |  |                      |                          |                                |  |
| DBSA  | 10287/102      | 61000738        | 31/03/2016 | 10.00%        | 84 018  |  | 7 605         | 32 304                             | -2 052      | 1 428                                  | 58 695   | 27 240               | 30 028                   |                                | 1 428                                  |
| DBSA  | 10287/202      | 61000739        | 30/09/2015 | 12.00%        | 11 780  |  | 1 253         | 5 431                              | -344        | 217                                    | 7 475  | 4 696                | 2 561                    |                                | 217                                    |
| DBSA  | 10422/102      | 61001087        | 31/03/2018 | 15.00%        | 486 251   |  | 67 748        | 136 334                            | -17 547     | 14 926                                 | 414 045  | 79 320               | 319 799                  |                                | 14 926                                 |
| DBSA  | 10422/203      | 61001088        | 30/09/2018 | 14.00%        | 294 174   |  | 38 568        | 75 843                             | -9 950      | 8 620                                  | 255 569  | 42 707               | 204 242                  |                                | 8 620                                  |
| DBSA  | 11124/103      | 61001404        | 30/06/2019 | 16.00%        | 1 157 326   |  | 180 457       | 307 376                            |             |  | 1 030 408  | 148 110              | 882 298                  |                                |  |
| DBSA  | 11174/102      | 61001426        | 31/12/2018 | 16.50%        | 383 683   |  | 61 491        | 108 884                            |             |  | 336 290  | 55 562               | 280 728                  |                                |  |
| DBSA  | 11192/101      | 61001436        | 31/12/2018 | 15.75%        | 3 237 316   |  | 494 932       | 902 142                            |             |  | 2 830 106  | 474 081              | 2 356 025                |                                |  |
| DBSA (Loan Fund)  | 11328/101      | 61001531        | 30/06/2014 | 13.22%        | 11 894  |  | 1 198         | 13 092                             |             |  | 0  | -                    | 0                        |                                |  |
| DBSA (Public Debt Commissioner)                                       | 12349/101      | 61002370        | 31/12/2012 | 13.30%        | 0   |  | -             | -                                  |             |  | 0  | -                    | 0                        |                                |  |
| DBSA (Public Debt Commissioner)                                       | 12350/101      | 61002371        | 30/06/2014 | 13.75%        | 126 822   |  | 13 289        | 140 111                            |             |  | -0   | -                    | -0                       |                                |  |
| DBSA  | 13341/102      | 61003137        | 31/12/2019 | 16.50%        | 2 797 618   |  | 451 438       | 718 266                            |             |  | 2 530 790  | 312 847              | 2 217 943                |                                |  |
| DBSA  | 13452/102      | 61003173        | 30/06/2020 | 7.675%        | 805 433   |  | 55 558        | 170 620                            | 0           |  | 690 371  | 115 062              | 575 309                  |                                |  |
| DBSA  | 13452/301      | 61003178        | 31/12/2019 | 7.675%        | 1 006 429   |  | 69 223        | 224 058                            |             |  | 851 594  | 154 835              | 696 758                  |                                |  |
| DBSA  | 13566/101      | 61003228        | 31/12/2020 | 9.112%        | 348 822   |  | 27 905        | 74 414                             |             |  | 302 312  | 46 510               | 255 803                  |                                |  |
| DBSA  | 13760/101      | 61003271        | 31/12/2020 | 8.642%        | 1 587 450   |  | 119 773       | 331 433                            |             |  | 1 375 790  | 211 660              | 1 164 130                |                                |  |
| DBSA  | 99999/1        | 61004211        | 31/12/2024 | 8.642%        | 735 800   |  | 56 179        | 120 162                            | 0           |  | 671 817  | 63 983               | 607 835                  |                                |  |
| Pensionfund   | E39            |                 | 31/12/2012 | 15.10%        | -0  |  | -             | -                                  | -           |  | -0   | -0                   | -                        |                                |  |
| ABSA Bank   | 20912          |                 | 31/12/2012 | 15.25%        | -0  |  | -             | -                                  | -360 547    | 386 608                                | 20 374 757   | 1 537 550            | 18 450 599               |                                | 386 608                                |
| DBSA  | 102290/1       | 61000517        | 31/03/2027 | 7.758%        | 21 886 246  |  | 1 432 959     | 2 970 509                          |             |  |  |                      |                          |                                |  |
| TOTAL ANNUITY LOANS   |                |                 |            |               | 34 960 063  | -  | 3 079 578     | 6 330 981                          | -390 440    | 411 798                                | 31 730 018   | 3 274 162            | 28 044 058               | -                              | 411 798                                |

| LANGEBERG MUNICIPALITY  |                     |                 |            |               |  |  |               |                              |             |                                  |  |                   |                       |        |         |
|---|---------------------|-----------------|------------|---------------|--|--|---------------|------------------------------|-------------|----------------------------------|--|-------------------|-----------------------|--------|---------|
| APPENDIX A SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2014 |                     |                 |            |               |  |  |               |                              |             |                                  |  |                   |                       |        |         |
| Financial Institution   | Account Number      | Contract Number | Redeemable | Interest Rate | Opening Balance (outstanding capital) 30/06/2013 | Received During The Year / New Lease Agreement | Interest Paid | Installments during the year | Adjustments | Interest Payable Till 30/06/2014 | Closing Balance (outstanding capital) 30/06/2014 | Current Liability | Non-current Liability |        |         |
| LEASE LIABILITIES   |                     |                 |            |               |  |  |               |                              |             |                                  |  |                   |                       |        |         |
| NASHUA  | V 4499204844        |                 | 28/02/2013 | 10.00%        | 0  | -  | -             | -                            |             |                                  | 0  | -                 | 0                     |        |         |
| NASHUA  | V 4499204836        |                 | 28/02/2013 | 10.00%        | 0  | -  | -             | -                            |             |                                  | 0  | -                 | 0                     |        |         |
| MINOLTA   | B283 - F041011906   |                 | 30/11/2015 | 10.50%        | 25 770   | -  | 2 239         | 12 120                       |             |                                  | 15 890   | 10 970            | 4 920                 |        |         |
| MINOLTA   | B283 - F041015012   |                 | 30/11/2015 | 10.50%        | 25 770   | -  | 2 239         | 12 120                       |             |                                  | 15 890   | 10 970            | 4 920                 |        |         |
| MINOLTA   | B223 - G041101050   |                 | 31/03/2016 | 10.50%        | 29 698   | -  | 2 654         | 12 480                       |             |                                  | 19 872   | 10 909            | 8 963                 |        |         |
| XEROX   | WC5330 - 3322715985 |                 | 25/07/2015 | 15.00%        | 49 584   | -  | 6 008         | 28 020                       | -285        | -331                             | 27 526   | 25 551            | 1 975                 | 331    |         |
| XEROX   | WC7535 - 3906110325 |                 | 04/12/2015 | 8.50%         | 59 434   | -  | 4 309         | 27 180                       | -1 588      | -1 728                           | 36 423   | 24 892            | 11 531                | 1 728  |         |
| XEROX   | CO8303 - 3661801750 |                 | 25/03/2016 | 8.50%         | 159 885  | -  | 11 575        | 65 700                       | -723        | -787                             | 105 697  | 58 909            | 46 788                | 787    |         |
| XEROX   | CO8303 - 3661794673 |                 | 25/03/2016 | 8.50%         | 159 885  | -  | 11 575        | 65 700                       | -723        | -787                             | 105 697  | 58 909            | 46 788                | 787    |         |
| TASKalfa (Black)  | N493215179          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215430          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492213192          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215409          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492213124          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215435          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492212198          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493214896          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493113657          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492212209          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215170          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492215209          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492112204          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492112189          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215219          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215400          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215388          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493113664          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492213169          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215003          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493214906          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N493215361          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Black)  | N492213140          |                 | 25/06/2016 | 14.50%        | 62 498   | -  | 7 062         | 25 507                       |             | 1 259                            | 45 313   | 20 442            | 24 871                | 1 259  |         |
| TASKalfa (Colour)   | N2K3205227          |                 | 25/06/2016 | 14.50%        | 127 717  | -  | 14 432        | 52 124                       |             | 2 574                            | 92 598   | 41 774            | 50 824                | 2 574  |         |
| TASKalfa (Colour)   | N2K2803951          |                 | 25/06/2016 | 14.50%        | 127 717  | -  | 14 432        | 52 124                       |             | 2 574                            | 92 598   | 41 774            | 50 824                | 2 574  |         |
| TASKalfa (Colour)   | N2K2105329          |                 | 25/06/2016 | 14.50%        | 127 717  | -  | 14 432        | 52 124                       |             | 2 574                            | 92 598   | 41 774            | 50 824                | 2 574  |         |
| TASKalfa (FS 1135 MFP)  | NR7367446           |                 | 25/06/2016 | 6.00%         | -  | 68 383   | 969           | 8 200                        |             | 1 405                            | 62 476   | 21 768            | 40 709                | 1 405  |         |
| TASKalfa (FS 1135 MFP)  | NR72531567          |                 | 25/06/2016 | 6.00%         | -  | 68 383   | 969           | 8 200                        |             | 1 405                            | 62 476   | 21 768            | 40 709                | 1 405  |         |
| TASKalfa (FS 1135 MFP)  | NR72531568          |                 | 25/06/2016 | 6.00%         | -  | 68 383   | 969           | 8 200                        |             | 1 405                            | 62 476   | 21 768            | 40 709                | 1 405  |         |
| TOTAL LEASE LIABILITIES   |                     |                 |            |               | 2 330 637  | 205 150  | 249 235       | 991 189                      | -3 319      | 37 268                           | 1 834 421  | 861 906           | 972 515               | 44 533 | -       |
| TOTAL LIABILITIES   |                     |                 |            |               | 37 290 700                                       | 205 150  | 3 328 813     | 7 322 169                    | -393 759    | 449 067                          | 33 564 440                                       | 4 136 068         | 29 016 573            | 44 533 | 411 798 |

**APPENDIX B - Unaudited  
 LANGE BERG MUNICIPALITY  
 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 2014  
 MUNICIPAL VOTES CLASSIFICATION**

| <b>2013<br/>Actual<br/>Income<br/>R</b> | <b>2013<br/>Actual<br/>Expenditure<br/>R</b> | <b>2013<br/>Surplus/<br/>(Deficit)<br/>R</b> |                               | <b>2014<br/>Actual<br/>Income<br/>R</b> | <b>2014<br/>Actual<br/>Expenditure<br/>R</b> | <b>2014<br/>Surplus/<br/>(Deficit)<br/>R</b> |
|---|--|--|-------------------------------|---|--|--|
| 18 782 665                              | (34 026 501)                                 | (15 243 836)                                 | Corporate Services            | 22 467 798                              | (42 461 974)                                 | (19 994 176)                                 |
| 351 194 026                             | (296 176 569)                                | 55 017 457                                   | Engineering Services          | 365 875 110                             | (310 066 045)                                | 55 809 066                                   |
| 713 715                                 | (22 185 134)                                 | (21 471 419)                                 | Executive & Council           | 403 496                                 | (22 965 699)                                 | (22 562 203)                                 |
| 67 407 478                              | (18 570 051)                                 | 48 837 427                                   | Finance                       | 70 825 478                              | (24 798 271)                                 | 46 027 207                                   |
| 2 087 029                               | (35 354 969)                                 | (33 267 941)                                 | Strategy & Social Development | 3 082 059                               | (40 996 358)                                 | (37 914 300)                                 |
| 440 184 913                             | (406 313 225)                                | 33 871 688                                   | Sub Total                     | 462 653 942                             | (441 288 348)                                | 21 365 594                                   |
| -                                       | -  | -  |                               | -                                       | -  | -  |
| 440 184 913                             | (406 313 225)                                | 33 871 688                                   | <b>Total</b>                  | 462 653 942                             | (441 288 348)                                | 21 365 594                                   |
|   |  |  |                               |   |  |  |

| <b>APPENDIX C - Unaudited</b><br><b>LANGEBERG MUNICIPALITY</b><br><b>SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 2014</b><br><b>GENERAL FINANCE STATISTIC CLASSIFICATIONS</b> |  |  |                             |   |  |  |
|---|--|--|-----------------------------|---|--|--|
| <b>2013<br/>Actual<br/>Income<br/>R</b>   | <b>2013<br/>Actual<br/>Expenditure<br/>R</b> | <b>2013<br/>Surplus/<br/>(Deficit)<br/>R</b> |                             | <b>2014<br/>Actual<br/>Income<br/>R</b> | <b>2014<br/>Actual<br/>Expenditure<br/>R</b> | <b>2014<br/>Surplus/<br/>(Deficit)<br/>R</b> |
| 1 105 715   | (27 315 773)                                 | (26 210 058)                                 | Executive & Council         | 418 396                                 | (27 632 978)                                 | (27 214 582)                                 |
| 67 407 478  | (18 570 051)                                 | 48 837 427                                   | Budget & Treasury           | 70 825 478                              | (24 798 271)                                 | 46 027 207                                   |
| 3 107 403   | (19 016 844)                                 | (15 909 441)                                 | Corporate Services          | 2 160 276                               | (20 880 818)                                 | (18 720 542)                                 |
| 1 664 082   | (5 769 806)                                  | (4 105 724)                                  | Planning & Development      | 2 071 928                               | (6 548 632)                                  | (4 476 704)                                  |
| 9 306 164   | (15 248 170)                                 | (5 942 006)                                  | Community & Social Services | 7 828 712                               | (20 759 145)                                 | (12 930 433)                                 |
| 18 169 660  | (12 939 654)                                 | 5 230 006                                    | Housing                     | 17 207 592                              | (14 084 839)                                 | 3 122 753                                    |
| 7 417 899   | (15 885 021)                                 | (8 467 122)                                  | Public Safety               | 14 565 264                              | (21 472 828)                                 | (6 907 563)                                  |
| 214 075   | (2 877 610)                                  | (2 663 535)                                  | Sport & Recreation          | 525 484                                 | (3 387 865)                                  | (2 862 381)                                  |
| 139 285   | (12 095 275)                                 | (11 955 990)                                 | Environmental Protection    | 154 996                                 | (12 262 387)                                 | (12 107 391)                                 |
| 23 695 073  | (22 539 704)                                 | 1 155 369                                    | Waste Management            | 18 919 770                              | (21 199 622)                                 | (2 279 852)                                  |
| 35 298 478  | (11 308 417)                                 | 23 990 062                                   | Waste Water Management      | 28 993 890                              | (12 000 841)                                 | 16 993 049                                   |
| 1 024 174   | (14 682 060)                                 | (13 657 886)                                 | Road Transport              | 403 815                                 | (16 095 918)                                 | (15 692 103)                                 |
| 35 056 277  | (29 232 010)                                 | 5 824 267                                    | Water                       | 48 862 673                              | (29 406 424)                                 | 19 456 248                                   |
| 236 579 151   | (198 832 832)                                | 37 746 319                                   | Electricity                 | 249 715 667                             | (210 757 779)                                | 38 957 888                                   |
|   |  |  |                             |   |  | -  |
| 440 184 913   | (406 313 225)                                | 33 871 688                                   | <b>Total</b>                | 462 653 942                             | (441 288 348)                                | 21 365 594                                   |
|   |  |  |                             |   |  |  |
|   |  |  |                             |   |  |  |

**APPENDIX D - Unaudited  
LANGEBERG MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**  
**Restated**

| UNSPENT AND UNPAID<br>GOVERNMENT GRANTS AND RECEIPTS | 30 JUNE 2013     | Prior Period<br>Error | 30 JUNE 2013     | Grants<br>Received | Write Offs /<br>Transfers | Operating<br>expenditure<br>during the year<br>Transferred to<br>revenue | Capital<br>expenditure<br>during the year<br>Transferred to<br>revenue | Balance<br>30 JUNE 2014 |
|--|------------------|-----------------------|------------------|--------------------|---------------------------|--|--|-------------------------|
|  | R                | R                     |                  | R                  | R                         | R  | R  | R                       |
| <b><u>National Government Grants</u></b>             |                  |                       |                  |                    |                           |  |  |                         |
| MSIG   | 0                | -                     | 0                | 890 000            | -                         | 108 978  | 781 022  | 0                       |
| Zolani Taxi Rank                                     | -0               | -                     | -0               | -                  | -                         | -  | -  | -0                      |
| Masterplans  | 54 386           | -                     | 54 386           | -                  | -                         | -  | -  | 54 386                  |
| MIG  | -0               | -                     | -0               | 19 299 000         | 3                         | 2 364 633  | 16 934 370   | -0                      |
| Equitable Share                                      | -                | -                     | -                | 53 091 000         | 66 679                    | 53 157 679   | -  | -                       |
| FMG  | 0                | -                     | 0                | 1 300 000          | -                         | 1 300 000  | -  | 0                       |
| INEP   | -250 000         | -                     | -250 000         | 500 000            | -                         | 48 947   | 450 973  | -249 920                |
| EPWP   | 35 132           | -                     | 35 132           | 1 000 000          | -                         | 984 164  | -  | 50 968                  |
| Emergency Relief Flood Damage                        | 66 679           | -                     | 66 679           | 104 000            | -66 679                   | 12 580   | 89 860   | 1 559                   |
| <b><u>Provincial Government Grants</u></b>           |                  |                       |                  |                    |                           |  |  |                         |
| Library services                                     | 1 551 356        | -                     | 1 551 356        | 5 375 000          | -                         | 5 130 767  | 1 075 053  | 720 536                 |
| Main roads   | -                | -                     | -                | 172 000            | -                         | 172 000  | -  | -                       |
| Masakhane  | 353 117          | -                     | 353 117          | -                  | -                         | -  | -  | 353 117                 |
| Housing Consumer Education                           | 8 581            | -                     | 8 581            | -                  | -                         | -  | -  | 8 581                   |
| Housing Emergency Grant                              | 197 755          | -                     | 197 755          | -                  | -                         | -  | -  | 197 755                 |
| Job creation   | 128 050          | -                     | 128 050          | -                  | -                         | -  | -  | 128 050                 |
| Social Development                                   | -0               | -                     | -0               | -                  | -                         | -  | -  | -0                      |
| Housing Home Sanitation                              | 167 671          | -                     | 167 671          | -                  | -                         | -  | -  | 167 671                 |
| Housing  | 17 903           | -                     | 17 903           | -                  | -                         | -  | -  | 17 903                  |
| Dept Water Affairs                                   | 140 000          | -                     | 140 000          | -                  | -                         | -  | -  | 140 000                 |
| Training   | 938 596          | -865 016              | 73 580           | 235 970            | -                         | 309 550  | -  | -                       |
| Housing  | 176 777          | -                     | 176 777          | 9 695 186          | 1 026 000                 | 11 229 420   | 979 674  | -1 311 132              |
| CDW Operational Support Grant                        | -                | -                     | -                | -                  | -                         | -  | -  | -                       |
| Public Transport Infrastructure                      | 174 756          | -                     | 174 756          | -                  | -                         | -  | 101 220  | 73 536                  |
| Thusong Service Centre Operational Support Grant     | -                | -                     | -                | 218 000            | -                         | 218 000  | -  | -                       |
| Acceleration of Housing Delivery                     | 4 630 856        | -                     | 4 630 856        | -                  | -                         | -  | 4 630 856  | 0                       |
| Department of Sport                                  | -                | -                     | -                | 500 000            | -                         | -  | 336 047  | 163 953                 |
| Western Cape Financial Management Grant              | -                | -                     | -                | 250 000            | -                         | -  | 110 600  | 139 400                 |
| <b><u>District Municipality Grants</u></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                 |
| Landfil site   | 332 400          | -                     | 332 400          | -                  | -                         | -  | -  | 332 400                 |
| Tarring of Streets                                   | -                | -                     | -                | -                  | -                         | -  | -  | -                       |
| Cleanest Town  | 41 416           | -                     | 41 416           | -                  | -                         | -  | -  | 41 416                  |
| <b>Total</b>   | <b>9 411 673</b> | <b>-865 016</b>       | <b>8 546 656</b> | <b>92 630 156</b>  | <b>1 026 003</b>          | <b>75 036 718</b>  | <b>25 489 676</b>  | <b>1 676 421</b>        |



**Appendix E1 - Unaudited  
Langeberg Municipality  
- Revenue and Expenditure (Standard Classification)**

| Description                                | 2013/2014       |                                     |                          |                |                          |   |                                     |  | 2012/2013                         |  |                         |                         |
|--|-----------------|-------------------------------------|--------------------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|--|-------------------------|-------------------------|
|  | Original Budget | Budget Adjustments (i.e. MFMIA S29) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of MFMIA S2 of MFMIA | Balance to be recovered | Revised Audited Outcome |
|  | 1               | 2                                   | 3                        | 4              | 5                        | 6   | 7                                   | 8                                      | 9                                 | 10   | 11                      | 12                      |
| <b>Revenue - Standard</b>                  |                 |                                     |                          |                |                          |   |                                     |  |                                   |  |                         |                         |
| <b>Governance and administration</b>       | 73 019          | (1 061)                             | 71 957                   | 73 118         |                          | 1 161   | 101.6%                              | 100.1%                                 |                                   |  |                         | 71 621                  |
| Executive and council                      | 551             | -                                   | 551                      | 418            |                          | (132)   | 76.0%                               | 76.0%                                  |                                   |  |                         | 1 106                   |
| Budget and treasury office                 | 70 630          | (1 373)                             | 69 257                   | 70 539         |                          | 1 283   | 101.9%                              | 99.9%                                  |                                   |  |                         | 67 407                  |
| Corporate services                         | 1 838           | 312                                 | 2 150                    | 2 160          |                          | 11  | 100.5%                              | 117.5%                                 |                                   |  |                         | 3 107                   |
| <b>Community and public safety</b>         | 37 443          | 2 968                               | 40 409                   | 40 127         |                          | (281)   | 99.3%                               | 107.2%                                 |                                   |  |                         | 35 108                  |
| Community and social services              | 9 223           | 228                                 | 9 451                    | 7 829          |                          | (1 622)   | 82.8%                               | 84.9%                                  |                                   |  |                         | 9 306                   |
| Sport and recreation                       | 690             | -                                   | 690                      | 525            |                          | (165)   | 76.1%                               | 76.1%                                  |                                   |  |                         | 214                     |
| Public safety                              | 4 943           | -                                   | 5 724                    | 14 585         |                          | 8 641   | 254.5%                              | 294.7%                                 |                                   |  |                         | 7 418                   |
| Housing                                    | 22 597          | 1 957                               | 24 544                   | 17 208         |                          | (7 336)   | 70.1%                               | 76.2%                                  |                                   |  |                         | 18 170                  |
| Health                                     | -               | -                                   | -                        | -              |                          | -   | -                                   | -                                      |                                   |  |                         | -                       |
| <b>Economic and environmental services</b> | 3 295           | 314                                 | 3 609                    | 2 631          |                          | (979)   | 72.9%                               | 79.8%                                  |                                   |  |                         | 2 328                   |
| Planning and development                   | 2 864           | 35                                  | 2 899                    | 2 072          |                          | (827)   | 71.5%                               | 72.3%                                  |                                   |  |                         | 1 664                   |
| Road transport                             | 201             | -                                   | 279                      | 404            |                          | (76)  | 84.1%                               | 200.5%                                 |                                   |  |                         | 1 024                   |
| Environmental protection                   | 230             | -                                   | 480                      | 155            |                          | (75)  | 67.5%                               | 67.5%                                  |                                   |  |                         | 139                     |
| <b>Trading services</b>                    | 367 975         | (2 017)                             | 365 958                  | 346 492        |                          | (19 466)  | 94.7%                               | 94.2%                                  |                                   |  |                         | 330 629                 |
| Electricity                                | 269 252         | (2 700)                             | 266 552                  | 249 716        |                          | (16 836)  | 93.7%                               | 92.7%                                  |                                   |  |                         | 236 579                 |
| Water                                      | 52 365          | -                                   | 52 365                   | 48 863         |                          | (3 503)   | 93.3%                               | 93.3%                                  |                                   |  |                         | 35 056                  |
| Waste water management                     | 28 434          | -                                   | 28 434                   | 28 994         |                          | 560   | 102.0%                              | 102.0%                                 |                                   |  |                         | 35 298                  |
| Waste management                           | 17 924          | 683                                 | 18 607                   | 18 920         |                          | 313   | 101.7%                              | 105.6%                                 |                                   |  |                         | 23 695                  |
| <b>Other</b>                               | -               | -                                   | -                        | -              |                          | -   | -                                   | -                                      |                                   |  |                         | -                       |
| <b>Total Revenue - Standard</b>            | <b>481 731</b>  | <b>201</b>                          | <b>481 933</b>           | <b>462 388</b> |                          | <b>(19 343)</b>                                       | <b>95.9%</b>                        | <b>96.0%</b>                           |                                   |  |                         | <b>440 185</b>          |
| <b>Expenditure - Standard</b>              |                 |                                     |                          |                |                          |   |                                     |  |                                   |  |                         |                         |
| <b>Governance and administration</b>       | 71 288          | 319                                 | 71 606                   | 73 026         | 5 256                    | 1 420   | 102.0%                              | 102.4%                                 | -                                 | -  | -                       | 64 903                  |
| Executive and council                      | 32 377          | (968)                               | 31 409                   | 27 633         | -                        | (3 836)   | 87.8%                               | 85.3%                                  |                                   |  |                         | 27 316                  |
| Budget and treasury office                 | 18 907          | 1 234                               | 20 141                   | 24 512         | 4 371                    | 4 371   | 121.7%                              | 129.6%                                 |                                   |  |                         | 18 570                  |
| Corporate services                         | 20 003          | (7)                                 | 19 996                   | 20 861         | 865                      | 865   | 104.4%                              | 104.4%                                 |                                   |  |                         | 19 017                  |
| <b>Community and public safety</b>         | 63 032          | (227)                               | 64 524                   | 59 705         | 5 275                    | (5 119)   | 92.1%                               | 91.6%                                  | -                                 | -  | -                       | 46 990                  |
| Community and social services              | 23 682          | (3)                                 | 23 679                   | 20 759         | -                        | (2 919)   | 87.7%                               | 87.7%                                  |                                   |  |                         | 15 248                  |
| Sport and recreation                       | 3 290           | 147                                 | 3 437                    | 3 388          | -                        | (9)   | 99.7%                               | 104.2%                                 |                                   |  |                         | 2 678                   |
| Public safety                              | 16 576          | (378)                               | 16 198                   | 21 473         | 5 275                    | 5 275   | 132.6%                              | 129.5%                                 |                                   |  |                         | 15 885                  |
| Housing                                    | 21 544          | 7                                   | 21 551                   | 14 065         | -                        | (7 486)   | 65.4%                               | 65.4%                                  |                                   |  |                         | 12 340                  |
| Health                                     | -               | -                                   | -                        | -              | -                        | -   | -                                   | -                                      |                                   |  |                         | -                       |
| <b>Economic and environmental services</b> | 36 894          | (1 489)                             | 35 405                   | 34 780         | 40                       | (625)   | 98.2%                               | 94.3%                                  | -                                 | -  | -                       | 32 282                  |
| Planning and development                   | 7 008           | (116)                               | 6 890                    | 6 422          | -                        | (468)   | 93.2%                               | 91.6%                                  |                                   |  |                         | 5 305                   |
| Road transport                             | 16 306          | (250)                               | 16 056                   | 16 096         | 40                       | 40  | 100.2%                              | 98.7%                                  |                                   |  |                         | 14 682                  |
| Environmental protection                   | 13 590          | (1 121)                             | 12 469                   | 12 862         | -                        | (197)   | 96.4%                               | 90.3%                                  |                                   |  |                         | 12 095                  |
| <b>Trading services</b>                    | 283 074         | 417                                 | 283 491                  | 273 491        | 1 333                    | (10 000)  | 96.5%                               | 96.6%                                  | -                                 | -  | -                       | 262 178                 |
| Electricity                                | 226 447         | (5 145)                             | 221 302                  | 210 758        | -                        | (10 544)  | 95.2%                               | 93.1%                                  |                                   |  |                         | 198 833                 |
| Water                                      | 28 969          | 1 277                               | 30 246                   | 29 006         | -                        | (839)   | 101.5%                              | 101.5%                                 |                                   |  |                         | 29 232                  |
| Waste water management                     | 9 464           | 1 507                               | 11 371                   | 12 001         | 630                      | 630   | 105.5%                              | 128.8%                                 |                                   |  |                         | 11 308                  |
| Waste management                           | 18 195          | 2 378                               | 20 573                   | 21 326         | 753                      | 753   | 103.7%                              | 117.2%                                 |                                   |  |                         | 22 805                  |
| <b>Other</b>                               | -               | -                                   | -                        | -              | -                        | -   | -                                   | -                                      |                                   |  |                         | -                       |
| <b>Total Expenditure - Standard</b>        | <b>456 307</b>  | <b>(980)</b>                        | <b>455 327</b>           | <b>441 002</b> | <b>11 934</b>            | <b>(14 323)</b>                                       | <b>96.9%</b>                        | <b>96.6%</b>                           | <b>-</b>                          | <b>-</b>   | <b>-</b>                | <b>406 313</b>          |
| <b>Surplus/(Deficit) for the year</b>      | <b>25 424</b>   | <b>1 182</b>                        | <b>26 606</b>            | <b>21 386</b>  |                          | <b>(3 240)</b>  | <b>80.3%</b>                        | <b>84.0%</b>                           | <b>-</b>                          | <b>-</b>   | <b>-</b>                | <b>33 872</b>           |

**Appendix E2 - Unaudited  
Langeberg Municipality  
- Revenue and Expenditure (Municipal Vote Classification)**

| Reconciliation of Table A3 Budgeted Financial Performance (Revenue and expenditure by municipal vote) |                 |                                    |                          |                |                          |   |                                     |  |                                   |   |                         |                          |  |
|---|-----------------|------------------------------------|--------------------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|--|
| Vote Description  | 2013/2014       |                                    |                          |                |                          |   |                                     |  |                                   |   |                         | 2012/2013                |  |
|   | Original Budget | Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |  |
| R thousand  |                 |                                    |                          |                |                          |   |                                     |  |                                   |   |                         |                          |  |
|   | 1               | 2                                  | 3                        | 4              | 5                        | 6   | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |  |
| Revenue by Vote   |                 |                                    |                          |                |                          |   |                                     |  |                                   |   |                         |                          |  |
| FINANCE   | 70 630          | (1 373)                            | 69 257                   | 70 825         |                          | 1 569   | 102.3%                              | 100.3%                                 |                                   |   |                         | 67 407                   |  |
| EXECUTIVE & COUNCIL   | 226             | -                                  | 226                      | 403            |                          | 178   | 178.8%                              | 178.8%                                 |                                   |   |                         | 714                      |  |
| STRATEGY & SOCIAL DEVELOPMENT   | 1 983           | 1 336                              | 3 319                    | 3 082          |                          | (237)   | 92.9%                               | 155.4%                                 |                                   |   |                         | 2 087                    |  |
| CORPORATE SERVICES  | 14 436          | 1 321                              | 15 757                   | 22 468         |                          | 6 711   | 142.6%                              | 155.6%                                 |                                   |   |                         | 18 783                   |  |
| SERVICE INTERGRATION  | 25 696          | (25 696)                           | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         | -                        |  |
| ENGINEERING SERVICES  | 368 761         | 24 613                             | 393 374                  | 365 875        |                          | (27 499)  | 93.0%                               | 99.2%                                  |                                   |   |                         | 351 194                  |  |
| Total Revenue by Vote   | 481 731         | 201                                | 481 933                  | 462 654        |                          | (19 279)  | 96.0%                               | 96.0%                                  |                                   |   |                         | 440 185                  |  |
| Expenditure by Vote to be appropriated  |                 |                                    |                          |                |                          |   |                                     |  |                                   |   |                         |                          |  |
| FINANCE   | 18 907          | 1 591                              | 20 498                   | 24 798         | 4 300                    | 4 300   | 121.0%                              | 131.2%                                 |                                   |   |                         | 18 570                   |  |
| EXECUTIVE & COUNCIL   | 26 008          | (472)                              | 25 536                   | 22 966         | -                        | (2 571)   | 89.9%                               | 88.3%                                  |                                   |   |                         | 22 185                   |  |
| STRATEGY & SOCIAL DEVELOPMENT   | 24 031          | 20 825                             | 44 857                   | 40 996         | -                        | (3 860)   | 91.4%                               | 170.6%                                 |                                   |   |                         | 35 090                   |  |
| CORPORATE SERVICES  | 35 988          | (287)                              | 35 701                   | 42 462         | 6 761                    | 6 761   | 118.9%                              | 118.0%                                 |                                   |   |                         | 34 027                   |  |
| SERVICE INTERGRATION  | 46 280          | (46 280)                           | -                        | -              | -                        | -   | -                                   | -                                      |                                   |   |                         | -                        |  |
| ENGINEERING SERVICES  | 305 093         | 23 643                             | 328 735                  | 310 066        | -                        | (18 669)  | 94.3%                               | 101.6%                                 |                                   |   |                         | 296 442                  |  |
| Total Expenditure by Vote   | 456 307         | (980)                              | 455 327                  | 441 288        | 11 061                   | (14 039)  | 96.9%                               | 96.7%                                  | -                                 | -   | -                       | 406 313                  |  |
| Surplus/(Deficit) for the year  | 25 424          | 1 182                              | 26 606                   | 21 366         |                          | (5 240)   | 80.3%                               | 84.0%                                  |                                   |   |                         |                          |  |

**Appendix E3 - Unaudited  
Langeberg Municipality  
- Revenue and Expenditure (Revenue by Source and Expenditure by Type)**

**Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description   | 2013/2014       |                                    |                          |                |                          |          |                                     |  |                                   |   |                         | 2012/2013                |  |  |
|---|-----------------|------------------------------------|--------------------------|----------------|--------------------------|----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|--|--|
|   | Original Budget | Budget Adjustments (i.e. MFMA 42b) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |  |  |
|   | 1               | 2                                  | 3                        | 4              | 5                        | 6        | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |  |  |
| Revenue By Source   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Property rates  | 32 428          | -                                  | 32 426                   | 32 284         |                          | (143)    | 99.6%                               | 99.6%                                  |                                   |   |                         | 29 807                   |  |  |
| Property rates - penalties & collection charges                             | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | 343                      |  |  |
| Service charges - electricity revenue                                       | 260 328         | (3 000)                            | 257 328                  | 240 873        | (16 455)                 | (16 455) | 93.6%                               | 92.5%                                  |                                   |   |                         | 229 409                  |  |  |
| Service charges - water revenue   | 34 190          | -                                  | 34 190                   | 31 002         | (3 188)                  | (3 188)  | 90.7%                               | 90.7%                                  |                                   |   |                         | 25 531                   |  |  |
| Service charges - sanitation revenue  | 11 707          | -                                  | 11 707                   | 12 466         | 759                      | 759      | 106.5%                              | 106.5%                                 |                                   |   |                         | 12 439                   |  |  |
| Service charges - refuse revenue  | 9 810           | 70                                 | 9 880                    | 9 991          | 111                      | 111      | 101.1%                              | 101.8%                                 |                                   |   |                         | 9 855                    |  |  |
| Service charges - other   | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Rent of facilities and equipment  | 2 216           | 300                                | 2 516                    | 2 053          | (463)                    | (463)    | 81.5%                               | 92.7%                                  |                                   |   |                         | 2 091                    |  |  |
| Interest earned - external investments                                      | 4 214           | (2 213)                            | 2 001                    | 2 844          | 843                      | 843      | 142.1%                              | 67.5%                                  |                                   |   |                         | 3 306                    |  |  |
| Interest earned - outstanding debtors                                       | 1 711           | -                                  | 1 711                    | 3 287          | 1 576                    | 1 576    | 192.1%                              | 192.1%                                 |                                   |   |                         | 2 524                    |  |  |
| Dividends received  | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Fines   | 2 168           | (29)                               | 2 143                    | 10 846         | 8 703                    | 8 703    | 506.2%                              | 500.4%                                 |                                   |   |                         | 4 018                    |  |  |
| Licences and permits  | 1 415           | (49)                               | 1 370                    | 1 077          | (292)                    | (292)    | 78.7%                               | 76.2%                                  |                                   |   |                         | 1 128                    |  |  |
| Agency services   | 1 265           | 861                                | 2 126                    | 2 480          | 364                      | 364      | 117.1%                              | 196.8%                                 |                                   |   |                         | 2 169                    |  |  |
| Transfers recognised - operational  | 81 016          | 1 464                              | 82 480                   | 75 052         | (7 428)                  | (7 428)  | 91.0%                               | 92.6%                                  |                                   |   |                         | 78 983                   |  |  |
| Other revenue   | 14 202          | 1 515                              | 15 716                   | 12 901         | (2 815)                  | (2 815)  | 82.1%                               | 90.8%                                  |                                   |   |                         | 15 176                   |  |  |
| Gains on disposal of PPE  | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Total Revenue (excluding capital transfers and contributions)               | 456 666         | (1 073)                            | 455 593                  | 437 164        |                          | (18 429) | 96.0%                               | 95.7%                                  |                                   |   |                         | 415 790                  |  |  |
| Expenditure By Type   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Employee related costs  | 128 934         | 2 973                              | -                        | 129 208        | -                        | (2 719)  | 97.9%                               | 100.2%                                 |                                   |   |                         | 118 417                  |  |  |
| Remuneration of councillors   | 7 967           | -                                  | 7 967                    | 7 714          | -                        | (253)    | 96.8%                               | 96.8%                                  |                                   |   |                         | 7 039                    |  |  |
| Debt impairment   | 7 924           | -                                  | 7 924                    | 14 799         | 6 875                    | 6 875    | 186.8%                              | 186.8%                                 |                                   |   |                         | 10 951                   |  |  |
| Depreciation & asset impairment   | 17 367          | 261                                | 17 628                   | 19 971         | 2 343                    | 2 343    | 113.3%                              | 115.0%                                 |                                   |   |                         | 16 814                   |  |  |
| Finance charges   | 6 688           | 62                                 | 6 750                    | 7 570          | 790                      | 790      | 111.7%                              | 113.0%                                 |                                   |   |                         | 7 264                    |  |  |
| Bank purchases  | 201 455         | (6 000)                            | 195 455                  | 184 970        | -                        | (10 484) | 94.6%                               | 91.8%                                  |                                   |   |                         | 176 635                  |  |  |
| Other materials   | -               | -                                  | -                        | -              | -                        | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Contracted services   | 2 189           | (700)                              | 1 489                    | 1 180          | (309)                    | (309)    | 79.2%                               | 53.9%                                  |                                   |   |                         | 961                      |  |  |
| Transfers and grants  | 67              | -                                  | 67                       | 75 641         | -                        | (87)     | 67.9%                               | 90.4%                                  |                                   |   |                         | 67 250                   |  |  |
| Other expenditure   | 83 667          | 2 404                              | 86 071                   | 83 641         | 235                      | (10 430) | 80.0%                               | 80.0%                                  |                                   |   |                         | 67 250                   |  |  |
| Loss on disposal of PPE   | -               | -                                  | -                        | 235            | 235                      | 235      | -                                   | -                                      |                                   |   |                         | 902                      |  |  |
| Total Expenditure   | 456 307         | (930)                              | 455 377                  | 441 288        | 10 243                   | (14 039) | 96.3%                               | 96.7%                                  |                                   |   |                         | 406 313                  |  |  |
| Surplus(Deficit)  | 359             | (130)                              | 266                      | (4 124)        |                          | (4 390)  | -1549.3%                            | -1149.7%                               |                                   |   |                         | 9 466                    |  |  |
| Transfers recognised - capital  | 1 065           | 25 274                             | 26 340                   | 25 460         |                          | (880)    | 96.8%                               | 2392.8%                                |                                   |   |                         | 24 405                   |  |  |
| Contributed assets  | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Surplus(Deficit) after capital transfers & contributions                    | 1 424           | 25 142                             | 26 606                   | 21 366         |                          | (5 240)  | 80.3%                               | 1500.4%                                |                                   |   |                         | 33 872                   |  |  |
| Taxation  | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Surplus(Deficit) after taxation   | 1 424           | 25 142                             | 26 606                   | 21 366         |                          | (5 240)  | 80.3%                               | 1500.4%                                |                                   |   |                         | 33 872                   |  |  |
| Attributable to monies  | -               | -                                  | 26 606                   | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Surplus(Deficit) attributable to municipality                               | 1 424           | 25 142                             | 26 606                   | 21 366         |                          | (5 240)  | 80.3%                               | 1500.4%                                |                                   |   |                         | 33 872                   |  |  |
| Share of surplus (deficit) of associate                                     | -               | -                                  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |  |  |
| Surplus(Deficit) for the year   | 1 424           | 25 142                             | 26 606                   | 21 366         |                          | (5 240)  | 80.3%                               | 1500.4%                                |                                   |   |                         | 33 872                   |  |  |
| Explanations for material Variances   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for water due to increase in water tariffs               |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Savings on Professional services and purchases of Chemicals                 |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Decrease in demand for electricity due to increase in electricity tariffs   |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |
| Increase in demand for electricity due to increase in electricity tariffs</ |                 |                                    |                          |                |                          |          |                                     |  |                                   |   |                         |                          |  |  |

Explanations for material variances

Decrease in demand for electricity due to increase in electricity tariffs  
Decrease in demand for water due to increase in water tariffs

Under spending of R6.9M on Human Settlements Development Grant (Did not receive entire allocation)

Increased employee related cost in final adjusted budget, expected an over expenditure on overtime for engineering services

First time adoption of GRAP1

Decrease in demand for electricity due to increase in electricity tariffs

Savings on Professional services and purchases of Chemicals

**Appendix E4 - Unaudited  
Langeberg Municipality**

**- Capital Expenditure by Vote, Standard Classification and Funding**

| Vote Description                            | 2013/2014       |  |                          |                |                          |          |                                     | 2012/2013                              |                                   |   |                         |                          |
|---|-----------------|--|--------------------------|----------------|--------------------------|----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|   | Original Budget | Total Budget Adjustments (i.e. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|   | R thousand      |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Capital expenditure - Vote</b>           |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Multi-year expenditure</b>               |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 1 - FINANCE                            |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 2 - EXECUTIVE & COUNCIL                |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 3 - STRATEGY & SOCIAL DEVELOPMENT      |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 4 - CORPORATE SERVICES                 |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 5 - SERVICE INTERGRATION               |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 6 - ENGINEERING SERVICES               |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Capital multi-year expenditure</b>       |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Single-year expenditure</b>              |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 1 - FINANCE                            |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 2 - EXECUTIVE & COUNCIL                |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 3 - STRATEGY & SOCIAL DEVELOPMENT      |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 4 - CORPORATE SERVICES                 |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 5 - SERVICE INTERGRATION               |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 6 - ENGINEERING SERVICES               |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Capital single-year expenditure</b>      |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Total Capital Expenditure - Vote</b>     | 53 910          | 3 502                                    | 57 412                   | 52 538         | -                        | (4 874)  | 92%                                 | 97%                                    | -                                 | -   | -                       | 52 169                   |
| <b>Capital Expenditure - Standard</b>       |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Governance and administration</b>        | 5 210           | 1 189                                    | 6 399                    | 5 877          | -                        | (522)    | 92%                                 | 113%                                   | -                                 | -   | -                       | 4 811                    |
| Executive and council                       | 1 000           | 19                                       | 1 019                    | 699            | -                        | (320)    | 69%                                 | 70%                                    | -                                 | -   | -                       | 2 415                    |
| Budget and treasury office                  | -               | -  | -                        | -              | -                        | -        | -                                   | -                                      | -                                 | -   | -                       | 120                      |
| Corporate services                          | 4 210           | 1 171                                    | 5 381                    | 5 178          | -                        | (202)    | 96%                                 | 123%                                   | -                                 | -   | -                       | 2 277                    |
| <b>Community and public safety</b>          | 9 946           | 4 152                                    | 14 098                   | 11 090         | 103                      | (3 008)  | 79%                                 | 112%                                   | -                                 | -   | -                       | 8 485                    |
| Community and social services               | 2 976           | (776)                                    | 2 200                    | 2 303          | 103                      | 103      | 105%                                | 77%                                    | -                                 | -   | -                       | 4 264                    |
| Sport and recreation                        | 1 240           | -  | 1 240                    | 594            | -                        | (646)    | 48%                                 | 48%                                    | -                                 | -   | -                       | 667                      |
| Public safety                               | 30              | 115                                      | 145                      | 112            | -                        | (33)     | 77%                                 | 374%                                   | -                                 | -   | -                       | 133                      |
| Housing                                     | 5 700           | 4 813                                    | 10 513                   | 8 081          | -                        | (2 432)  | 77%                                 | 142%                                   | -                                 | -   | -                       | 3 420                    |
| Health                                      | -               | 0  | 0                        | -              | -                        | (0)      | -                                   | -                                      | -                                 | -   | -                       | (0)                      |
| <b>Economic and environmental services</b>  | 5 815           | 620                                      | 6 435                    | 6 045          | 50                       | (390)    | 94%                                 | 104%                                   | -                                 | -   | -                       | 3 898                    |
| Planning and development                    | 670             | 341                                      | 1 011                    | 810            | -                        | (201)    | 80%                                 | 121%                                   | -                                 | -   | -                       | -                        |
| Road transport                              | 4 500           | 279                                      | 4 779                    | 4 828          | 50                       | 50       | 107%                                | 107%                                   | -                                 | -   | -                       | 3 616                    |
| Environmental protection                    | 645             | -  | 645                      | 407            | -                        | (238)    | 63%                                 | 63%                                    | -                                 | -   | -                       | 82                       |
| <b>Trading services</b>                     | 32 939          | (2 459)                                  | 30 480                   | 29 526         | -                        | (953)    | 97%                                 | 90%                                    | -                                 | -   | -                       | 34 974                   |
| Electricity                                 | 8 028           | 395                                      | 8 423                    | 7 899          | -                        | (524)    | 94%                                 | 98%                                    | -                                 | -   | -                       | 7 570                    |
| Water                                       | 16 436          | (64)                                     | 16 371                   | 16 366         | -                        | (6)      | 100%                                | 100%                                   | -                                 | -   | -                       | 12 146                   |
| Waste water management                      | 3 445           | 64                                       | 3 509                    | 3 327          | -                        | (182)    | 95%                                 | 97%                                    | -                                 | -   | -                       | 10 249                   |
| Waste management                            | 5 030           | (2 854)                                  | 2 176                    | 1 934          | -                        | (241)    | 89%                                 | 38%                                    | -                                 | -   | -                       | 5 009                    |
| <b>Other</b>                                |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <b>Total Capital Expenditure - Standard</b> | 53 910          | 3 502                                    | 57 412                   | 52 538         | 153                      | (4 874)  | 92%                                 | 97%                                    | -                                 | -   | -                       | 52 169                   |
| <b>Funded BY:</b>                           |                 |  |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| National Government                         | 18 148          | 91                                       | 18 239                   | 18 158         |                          | (81)     | 100%                                | 100%                                   |                                   |   |                         | 20 223                   |
| Provincial Government                       | 6 917           | 1 183                                    | 8 100                    | 7 123          |                          | (977)    | 88%                                 | 103%                                   |                                   |   |                         | 2 904                    |
| District Municipality                       | -               | -  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |
| Other transfers and grants                  | -               | -  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |
| Transfers recognised - capital              | 25 065          | 1 274                                    | 26 340                   | 25 281         |                          | (1 058)  | 96%                                 | 101%                                   |                                   |   |                         | 23 127                   |
| Public contributions & donations            | -               | -  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |
| Borrowing                                   | -               | -  | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         | -                        |
| Internally generated funds                  | 28 844          | 2 228                                    | 31 072                   | 27 257         |                          | (3 815)  | 88%                                 | 94%                                    |                                   |   |                         | 29 042                   |
| <b>Total Capital Funding</b>                | 53 910          | 3 502                                    | 57 412                   | 52 538         |                          | (4 874)  | 92%                                 | 97%                                    |                                   |   |                         | 52 169                   |

**Appendix E5 - Unaudited  
Langeberg Municipality  
- Cash Flows**

| Reconciliation of Table A7 Budgeted Cash Flows    |                 | 2013/2014                          |                             |                |          |   |  |                             | 2012/2013  |
|---|-----------------|------------------------------------|-----------------------------|----------------|----------|---|--|-----------------------------|--|
| Description                                       | Original Budget | Budget Adjustments<br>(i.t.o. s28) | Final adjustments<br>budget | Actual Outcome | Variance | Actual Outcome<br>as % of Final<br>Budget | Actual Outcome<br>as % of Original<br>Budget | Restated Audited<br>Outcome |  |
| R thousand  | 1               | 2                                  | 3                           | 4              | 5        | 6   | 7  | 8                           |  |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |                 |                                    |                             |                |          |   |  |                             |  |
| <b>Receipts</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Ratepayers and other                              | 319 972         | (1 185)                            | 318 786                     | 341 137        | 22 350   | 107.0%                                    | 106.6%                                       | 318 769                     |  |
| Government - operating                            | 81 016          | 1 429                              | 82 445                      | 73 622         | (8 823)  | 89.3%                                     | 90.9%  | 75 718                      | R7.9M of Human Settlements Development Grant allocation not received |
| Government - capital                              | 21 365          | 1 369                              | 22 734                      | 19 008         | (3 726)  | 83.6%                                     | 89.0%  | 29 529                      | R4.6M for Acceleration of Housing Delivery received in 2012/2013     |
| Interest  | 4 214           | (2 213)                            | 2 001                       | 2 789          | 788      | 139.4%                                    | 66.2%  | 3 734                       |  |
| Dividends   | -               | -                                  | -                           | -              | -        | -   | -  | -                           |  |
| <b>Payments</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Suppliers and employees                           | (358 623)       | 1 526                              | (357 097)                   | (387 245)      | (30 147) | 108.4%                                    | 108.0%                                       | (388 559)                   |  |
| Finance charges                                   | (6 698)         | (82)                               | (6 780)                     | (3 329)        | 3 451    | 49.1%                                     | 49.7%  | (3 432)                     |  |
| Transfers and Grants                              | (87)            | -                                  | (87)                        | -              | 87       | -   | -  | -                           |  |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  | 61 159          | 843                                | 62 002                      | 45 983         | (16 020) | 74.2%                                     | 75.2%  | 55 760                      |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                 |                                    |                             |                |          |   |  |                             |  |
| <b>Receipts</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Proceeds on disposal of PPE                       | -               | -                                  | -                           | 260            | 260      | #DIV/0!                                   | #DIV/0!                                      | -                           |  |
| Decrease (increase) in non-current debtors        | -               | -                                  | -                           | -              | -        | -   | -  | -                           |  |
| Decrease (increase) other non-current receivables | -               | -                                  | -                           | (608)          | (608)    | #DIV/0!                                   | #DIV/0!                                      | (3 131)                     |  |
| Decrease (increase) in non-current investments    | -               | -                                  | -                           | -              | -        | -   | -  | (39)                        |  |
| <b>Payments</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Capital assets                                    | (53 910)        | (3 502)                            | (57 412)                    | (52 333)       | 5 079    | 91.2%                                     | 97.1%  | (52 169)                    |  |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  | (53 910)        | (3 502)                            | (57 412)                    | (52 681)       | 4 731    | 91.8%                                     | 97.7%  | (55 339)                    |  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                 |                                    |                             |                |          |   |  |                             |  |
| <b>Receipts</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Short term loans                                  | -               | -                                  | -                           | -              | -        | -   | -  | -                           |  |
| Borrowing long term/financing                     | -               | -                                  | -                           | -              | -        | -   | -  | -                           |  |
| Increase (decrease) in consumer deposits          | 2 163           | -                                  | 2 163                       | 606            | (1 556)  | 28.0%                                     | 28.0%  | 491                         |  |
| <b>Payments</b>                                   |                 |                                    |                             |                |          |   |  |                             |  |
| Repayment of borrowing                            | (3 160)         | -                                  | (3 160)                     | (3 993)        | (833)    | 126.4%                                    | 126.4%                                       | (3 545)                     |  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  | (998)           | -                                  | (998)                       | (3 387)        | (2 390)  | 339.5%                                    | 339.5%                                       | (3 054)                     |  |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      | 6 252           | (2 659)                            | 3 593                       | (10 085)       |          |   |  | (2 633)                     |  |
| Cash/cash equivalents at the year begin:          | 71 282          |                                    | 71 282                      | 71 282         |          |   |  | 73 915                      |  |
| Cash/cash equivalents at the year end:            | 77 534          |                                    | 74 875                      | 61 197         | (13 678) | 81.7%                                     | 78.9%  | 71 282                      |  |

Explanations for material Variances



# CHAPTER 6



## **LANGEBERG MUNICIPALITY**

### **REPORT OF THE AUDIT COMMITTEE – 2013/2014**

The audit committee reports in terms of its responsibilities as prescribed by section 166 of the MFMA.

Members of the audit committee are:

JJ Mostert – chairperson  
A Amod  
W van Deventer  
K Pretorius

All the members of the audit committee have appropriate experience and qualifications to perform the necessary duties as members of the committee.

During the year under review 5 meetings were held on the following dates:

26 August 2013  
10 September 2013  
4 December 2013  
26 March 2014  
18 June 2014

According to the internal audit plan and the execution thereof, the committee did not identify any significant deficiencies in internal control.

The internal audit unit was also evaluated by the chairperson during the year under review and came to the conclusion that it operates effectively.

The audit committee charter was also reviewed and approved.

The audit committee have:

- Reviewed and approved the draft annual financial statements for the 2013/2014 financial year;
- Reviewed and discussed the Auditor-General's audit report for the 2013/2014 financial year;
- Reviewed and discussed the Auditor-General's management letter and the response to it by management of the municipality;
- Reviewed adjustments made from the audit.

The audit committee agrees with the conclusions made by the Auditor-General with respect to the adequacy and correctness of the 2013/2014 annual financial statements for the Langeberg Municipality.

We therefore recommend that the audited annual financial statements together with the audit report by the Auditor-General, be adopted and approved by the council for the year ended 30 June 2014.

A handwritten signature in black ink, appearing to be 'JJ Mostert', written over a horizontal line.

JJ Mostert  
Chairperson  
27 November 2014



# **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 the Langeberg Municipality set out on pages 6 to 92, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as 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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (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 the Langeberg Municipality as at 30 June 2014, and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

### **Emphasis of matters**

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

### **Restatement of corresponding figures**

8. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 2013-14 in the financial statements of the Langeberg Municipality at, and for the year ended, 30 June 2013.

### **Material impairments**

9. As disclosed in notes 19, 22 and 23 to the financial statements, the municipality has provided for impairment of long-term receivables, receivables from exchange transactions and receivables from non-exchange transactions of R15 million, R14,7 million and R14,9 million respectively, as management's impairment assessment indicated that these debtors would default on their accounts.

### **Additional matters**

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

### **Unaudited disclosure notes**

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

### **Unaudited supplementary schedules**

12. The supplementary information set out on pages 93 to 102 did not form part of the financial statements and was presented as additional information. I have not audited these appendices and, accordingly, I do not express an opinion thereon.

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

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for the selected strategic objectives presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Strategic objective: Energy efficiency for sustainable future on page 40
  - Strategic objective: Sustainable civil engineering infrastructure services on pages 48 to 50
  - Strategic objective: Sustainable integrated human settlement on pages 50 to 51.
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned strategic objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic objectives.

**Additional matters**

19. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected strategic objectives, I draw attention to the following matters:

**Achievement of planned targets**

20. Refer to the annual performance report on pages 40 and 48 to 51 for information on the achievement of the planned targets for the year.

**Adjustment of material misstatements**

21. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of strategic objective: Sustainable civil engineering infrastructure services and strategic objective: Sustainable integrated human settlement. As management subsequently corrected the misstatements, I did not raise any material findings on the reliability of the reported performance information.

**Compliance with legislation**

22. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with the specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**Internal control**

23. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor - General*

Cape Town

28 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**ACTION PLAN ON 2013/2014 EXTERNAL AUDIT FINDINGS**

| No. | Audit Finding   | AG Recommendation  | Management Response   | Responsible person                   | Action / Progress to Date –  |
|-----|---|--|---|--------------------------------------|--|
| 1   | <p><b>COMAF 1</b><br/>Heritage Assets:<br/>During the physical verification of heritage assets, the audit identified the following museum in Robertson that had collapse while undergoing renovations on 26 Aug 2014:</p> <p>The museum was a heritage asset, and therefore of cultural significance to the community. Although not material quantitatively because of the significance to the community it is considered to be qualitatively material in its nature. Per paragraph 27 of GARP 14, if non-adjusting events after reporting date are material, non-disclosure could influence the economic decisions of a user taken on the basis of the financial statement. Events after reporting date in the financial statements are understated by R389 000.00</p> | <p>Management should consider reviewing its procedures for identifying events after reporting date to ensure that all events up to date of submission of the financial statements are considered for disclosure in the financial statements. Furthermore, management should update the financial statement to include the abovementioned disclosure as required by paragraph 27 of GRAP 14</p> | <p>Management agrees with the audit finding as raised. In terms of GRAP .03 is this a non-adjusting event as the event occurred between the reporting date and the date when the financial statements will be authorised for issue and therefore GRAP.27 will be applicable which states the following:<br/>Disclosure of non-adjusting events after the reporting date:<br/>27 If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date: (a) the nature of the event (b) an estimate of its financial effect of a statement that such an estimate cannot be made</p> | <p>Mr CF Hoffmann<br/>Mr B Brown</p> | <p>The disclosure in Note 51 in the financial statement will be updated as follows:<br/><br/>On 26 August 2014 the municipality suffers a loss as the Robertson museum which is a Heritage Assets with a historical cost of R389 000.00 was damaged while undergoing renovations</p> |
| No  | Audit Finding   | AG Recommendation  | Management Response   | Responsible person                   | Action / Progress to Date –  |
| 2   | <p><b>COMAF 2</b><br/>Accounting policy not consistent with treatment :<br/>The audit identified that accounting policy 1.16.6, capitalised restoration cost, indicates that depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful life of the assets. During testing performed on</p>   | <p>Management should amend the accounting policy for capitalized restoration cost to ensure that it is in line with the accounting treatment thereof</p>   | <p>Management agrees with the audit finding as raised. Management is of the view that the asset will only be used for one reporting period based on the use of the landfill sites at the reporting date. This management assumption was applied in the preparation of the financial but not disclosed in the</p>  | <p>Mr CF Hoffmann<br/>Mr B Brown</p> | <p>The accounting policy in the financial statements will be updated</p>   |

|    | <p>depreciation it was noted that capitalised restoration costs are depreciated 100%.</p> <p>The accounting policy was not adequately reviewed to ensure that it is in line with the accounting treatment for capitalised restoration cost.</p> <p>Users of the financial statements may not be able to make informed decisions based on information that is inconsistent within the financial statements</p>   |  | <p>accounting policy</p> <p>The accounting policy in the financial statements will be updated as follows:</p> <p>The accounting policy in the financial statements will be updated as follows:</p> <p>The annual depreciation rates are based on the following estimated useful lives:</p> <p>Landfill sites 1-15</p> <p>1.16.6 Capitalised Restoration Cost</p> <p>The Municipality treats the Capital Restoration Cost on landfill sites in the same manner as Property, Plant and Equipment in accordance with 1.16.1 to 1.16.5 of this Accounting Policy and depreciation is calculated on the depreciable amount, using the straight-line method and depreciated in full in the following reporting period.</p> |                                      |   |
|----|---|--|--|--------------------------------------|---|
| No | Audit Finding   | AG Recommendation  | Management Response  | Responsible person                   | Action / Progress to Date –   |
| 3  | <p><b><u>COMAF 3</u></b></p> <p>Non-current assets held for sale –</p> <p>The audit identified the following properties classified as non-current assets held for sale that were not in the name of the municipality per the title deed: Furthermore, the following properties classified as non-current assets held for sale were recorded at an amount greater than the valuation roll which was deemed to be the fair value. The terms of the sales are such that the buyer is billed for the selling cost of the related properties, and therefore the costs to sell from the municipality perspective is zero: Management do not perform regular</p> | <p>Management should reconcile the records of non-current assets held for sale to the sales information as at 30 June 2014, and review the carrying amounts to ensure that it is in line with the requirements of GRAP 100. Once management has assessed the entire population for further errors, management should adjust the financial statements in order to rectify the</p> | <p>Management agrees with the audit finding as raised as far as it relates to GRAP 100.17 and not GRAP 100.20. GRAP 100.17 states the following:</p> <p>Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.</p> <p>After assessing the entire population the following errors were discovered.</p>  | <p>Mr B Brown<br/>Mr CF Hoffmann</p> | <p>The financial statements will be adjusted and will be provided to AG on 07 November 2014</p> |

|   |  |   |  |  |   |
|---|--|---|--|--|---|
|   | reconciliations between the non-current assets held for sale register and the valuation roll and sales documentation to determine whether assets that were sold were removed from the fixed asset register, and that all assets remaining are recorded at the correct amounts.   | identified misstatements.   | <p>4 properties were sold and needs to be derecognised<br/>The value of 2 properties needs to be adjusted to be in line with GRAP 100.17<br/>The financial statements will be adjusted to account for the above and will be provided to the AG on 07 November 2014.<br/>Attach is the summary tha the entire population was checked.<br/>Correct journal entries were made</p>   |  |   |
| 4 | <p><b><u>COMAF 4</u></b></p> <p>Excessive overtime: overtime was worked in excess of the permitted hours per the BCEA for employees. This is inadequate communication between the user department and the HR department to ensure that the amount of overtime worked is managed to prescripts. The municipality could suffer financial loss in the form of penalties and fines from the Department of Labour due to non-compliance with the BCEA. Lack of monitoring and supervision could also lead to excessive overtime being paid out. This matter was reported in the prior year (2012/2013) and no steps have been taken to date to implement the recommendations provided</p> | <p>It is recommended that management adheres to the conditions set by the BCEA and the policy framework. Furthermore, officials should be held accountable by the leadership for not adhering to its action plan to address prior year findings</p> | <p>It need to be mentioned that the Municipality is well aware of the stipulations of Section 10 of the BCEA, Act 75 of 1997, and as far possible try to limit the work of overtime to the essential.</p> <p>There are however circumstances which makes the working of overtime a reality.</p> <p>Please also see the approval of the Municipal Manager as per the attached memorandum dated 6 January 2014, dealing with the overtime for the 2013/2014 financial year, thus applicable from 1 July 2013 till 30 June 2014</p> | <p>Mr CF Hoffmann<br/>Mr A Everson</p>   | No remedial actions needed  |
| 5 | <p><b><u>COMAF 5-</u></b></p> <p>Awards made to employees in the service of the state</p> <p>Regulation 44 of the Municipal Supply Chain Management Regulations, 2005 (SCM Regulations), states that the supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make award</p>   | <p>The suppliers submitted a false declaration and management did not have the means to confirm whether the supplier was in the state of the state.</p> <p>Proper remedial action will be taken as per the Supply Chain management Policy</p>       | <p>Management should take action against the supplier for providing a false declaration and consider no longer doing business with the supplier in the future. Furthermore, if management continues to transact with the supplier knowing that the supplier is in service of the state this may lead to material non-compliance in future years.</p>   | <p>Mr CF Hoffmann<br/>Mr S Ngcongolo</p> | Proper action will be taken as per the Supply Chain Management policy |

|     | <p>to a person – (a) who is in the service of the state (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.</p> <p>The supplier submitted a false declaration and management did not have the means to confirm whether the supplier was in service of the state.</p> <p>The municipality may not be awarding quotations and tenders to suppliers in a fair and equitable manner.</p>  |  |  |  |                                   |
|-----|---|--|--|--|-----------------------------------|
| No. | Audit Finding   | AG Recommendation  | Management Response  | Responsible person                       | Action / Progress to Date –       |
| 6   | <p><b>COMAF 6</b><br/>Employee interest-</p> <p>Regulation 13(c) of the Municipality Supply Chain Management Regulations, 2005 (SCM Regulations), requires a supply chain management policy to state that the municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid has indicated: i) Whether he/she is in the service of the state or has been in the service of the state for the previous twelve (12) months</p> <p>ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or shareholders is in the service of the state, or has been in the service of the state in the previous twelve (12) months</p> <p>iii) Whether the spouse, child or parent of the provider or a or a director, manager, stakeholder or stakeholder of a provider who is a company or cc, is in the service of the state for the previous twelve (12) months.</p> | <p>Management should investigate employees to determine whether they have any undeclared interests in potential suppliers of the municipality. If the expenditure is found to be irregular, management should disclose it as such in the comparative notes to the financial statements</p> | <p>The Late Graham Beck, in the interest of improving the living conditions of the Citizens of Langeberg, built a Skills Centre to be used by the Citizens of this municipal area. As a facility for the community the Municipality was seen to be a major stakeholder for the skills centre. Consequently, Mr Dave van Schalkwyk was nominated to serve on the Skills Centre Committee.</p> <p>With an attempt to do fundraising they resolved to register a non-profit company, hence Dave was listed as a Director. He did not draw any remuneration from the skills centre except for serving in an ex - officio capacity.</p> <p>When it was realised that his directorship would prevent the municipality from using the centre, he resigned on 3 July 2013. The municipality is using this facility as a training venue and the money paid to the skills centre is for the cost of catering for our staff while they are attending classes there. It is the University of Stellenbosch that has been contracted to conduct the courses.</p> | <p>Mr CF Hoffmann<br/>Mr S Ngcongolo</p> | <p>No remedial actions needed</p> |



|     | <p>The municipality accepted a written quotation from the following supplier; Graham and Rhona Beck Skills Centre, during the prior year (2012-2013) even though at the time of the award one of the directors of the suppliers was an employee of the municipality, notwithstanding that payment was only made after the employment resigned from the municipality. It should be noted that no payments were made in the current year.</p> <p>The said employee did not declare that he was a director of a company that does not business with the municipality. Furthermore, the declaration of interest was falsely submitted to indicate that the supplier was not in service of the municipality.</p> <p>The municipality may not be awarding quotations and tenders to suppliers in a fair and equitable manner.</p> |  | <p>Having regard to the aforementioned, I am of the view that Regulation 44 of the SCM is not applicable in the case of Mr D van Schalkwyk. This regulation is intended to prevent persons who are in the service of the state to do business with the state whilst on the payroll of State. Which is not the case with Dave who served on that board to protect the interest of the municipality.</p>   |                    |   |
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| No. | Audit Finding   | AG Recommendation  | Management Response  | Responsible person | Action / Progress to Date –   |
| 7   | <p><b><u>COMAF 7</u></b></p> <p>Actual achievements reported do not agree to the source –</p> <p>During the audit of predetermined objectives the portfolio of evidence for the following indicator listed in table 1 did not agree to the actual achievements reported in the annual performance report</p> <p>In respect of TL88 management reported the percentage budget spent whereas the indicator specifies completion of the project. Since progress certificates were not used to report on the indicator, it was not possible to determine percentage of completion of the project</p>  | <p>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. Furthermore, management should adjust the annual performance report to reflect the actual achievement.</p> | <p>In the 14/15 SDBIP the unit of measurement for the KPI of building of the Bonnievale Reservoir, must change to % of capital budget spent.</p> <p>In the new 14/15 FY controls will be put in place to ensure that on a monthly basis the PMO officer assist Departments with loading and verifying the supporting evidence on the system.</p> <p>The information reported is verified monthly by the Compliance officer to ensure completeness, accuracy and relevance to the KPI.</p> <p>Compliance Officer and Performance Management officer will regularly visit the departments and help them compile the PoE.</p> | Mrs I Datson       | <p>Monthly checking if information loaded on system as supporting documentation</p> <p>Monthly verification of correctness of information</p> |



|     | <p>In respect of TL66, management included approved orders as part of the expenditure figures, however, the expenditure was not incurred as at year end, i.e. 30 June 2014.</p> <p>In respect of TL62 the engineering department measured water losses on a month to month basis and did not report the figure on an annual basis.</p>   |   | Internal Audit to quarterly audit the SDBIP reports and comment on the correctness and validity of information provided per KPI.  |                         |   |
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| No. | Audit Finding  | AG Recommendation   | Management Response   | Responsible person      | Action / Progress to Date   |
| 8   | <p><b>COMAF 8 –</b></p> <p>No performance target set for rehabilitation and construction for new roads –</p> <p>The audit of predetermined objectives revealed that the municipality did not set key performance targets in its Integrated Development Plan (IDP) and Service Delivery Plan (SDBIP) that relate to the construction of new roads and upgrading of roads.</p> <p>The municipality plans in line with its approved Pavement Maintenance Plan and in the plan the construction of new roads and rehabilitation of roads is not a priority as these are based on demand and this demand is not annual demand which makes it impractical to have such an indicator.</p> <p>The municipality's development priorities/targets were note in line with national development priorities and focus areas.</p> <p>This was reported in the prior year (2012-13), however, due to the reasons above management has not set key performance indicators for the construction of new roads and upgrading of roads due to impracticability thereof</p> | It is recommended that the municipality set targets regarding rehabilitation and construction of new roads 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 | <p>The municipality does budget for the rehabilitation and the building of new roads. KPI number 91 in APR is evidence of that.</p> <p>The approved Pavement Management System of the Municipality indicate that we should be spending at least R9 million per annum for the next 20 years to get our roads to a good standard, but due to insufficient funds during the 2013/2014 financial year, only Muskadel Road was completed as part of the Pavement Management System.</p> <p>The rehabilitation of existing streets has been identified as one of the priorities in the Pavement Management System.</p> <p>The maintenance/rehabilitation of existing streets (including the cost of the backlog in maintenance/rehabilitation) are clearly identified and managed by means of the Pavement Management System to ensure that limited resources are spend in the most cost-effective way</p> <p>Targets for the construction of new streets cannot be set by the municipality for the reasons as explained above. Targets for the rehabilitation/maintenance of</p> | Mr I van der Westhuizen | <p>Rehabilitation/maintenance of existing streets will be done according to the Pavement Management system</p> <p>New streets will be constructed on demand</p> |

|     |  |   | existing streets are set in the PMS but are dependent on the availability of funds.  |   |                                   |
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| No. | Audit Finding  | AG Recommendation   | Management Response  | Responsible person                      | Action / Progress to Date –       |
| 9   | <p><b><u>COMAF 9</u></b></p> <p>Financial Instruments (Amounts not disclosed)</p> <p>Paragraph 17 of Generally Recognised Accounting Practice 1 – <i>Presentation of financial statements</i> (GRAP 1) states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.</p> <p>Management did not adequately review the qualitative notes to the financial statements to ensure that the information disclosed agrees to the detailed notes to the financial statements.</p> | <p>Management should implement manual controls to identify amounts in qualitative notes to the financial statements that need to be reconciled and agreed to the amounts per the detailed notes and this task should be delegated to an official in the finance unit. Furthermore, management should adjust the financial statements to reflect the appropriate amounts as per above.</p> | <p>Management will put measures in place to ensure that all disclosure notes in the Annual Financial Statements are checked for correct linking and casting and that it balances back to all relevant notes.</p> <p>At each future reporting date processes will be put in place to check and verify that disclosure notes balances back to relevant notes and that it is checked and reviewed by a person other than the compiler of the AFS.</p> | <p>Mr CF Hoffmann</p> <p>Mr B Brown</p> | <p>It is disclosed in the AFS</p> |
| No. | Audit Finding  | AG Recommendation   | Management Response  | Responsible person                      | Action / Progress to Date -       |
| 10  | <p><b><u>COMAF 10</u></b></p> <p>Non-compliance with laws and regulations (Unauthorised Expenditure)</p> <p>Section 15(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), states that a municipality may, except where otherwise provided in this Act, incur expenditure only within the limits of the</p>  | <p>It is recommended that management consider the potential impact of non-cash items during the adjustment budget process to ensure that unauthorised expenditure is not incurred or minimised.</p>   | <p>Management agrees with the audit finding as raised but wish to state the following:</p> <p>It is extremely challenging to budget for certain non-cash items like actuarial losses as the outcome is based on actuarial valuations at financial position date and projections and forecasts is not known at the time the budget is compiled and approved.</p>  | <p>Mr CF Hoffmann</p> <p>Mr B Brown</p> | <p>It is disclosed in the AFS</p> |

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|    | <p>amounts appropriated for the different votes in an approved budget.</p> <p>As disclosed in note 46.1, <i>Unauthorised expenditure</i>, expenditure to the amount of R10 666 858 was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.</p> <p>Non-cash adjustments arising from the implementation of IGRAP 1 relating to traffic fines and actuarial losses on employee benefits were not budgeted for and as a result an overspending occurred on these votes.</p> <p>The municipality may not be able to manage its finances adequately which could result in incorrect financial decisions taken thereby affecting service delivery. Furthermore, this results in non-compliance with section 62(1)(d) of the MFMA.</p> |   | <p>The year under review was the first year IGRAP 1 was applicable, the effect of the implementation was not known at the time of the budget compilation and approval.</p> <p>Management will consider the potential impact of non-cash items during the adjustment budget process to ensure that unauthorised expenditure is not incurred or minimised.</p>   |                                      |                                   |
| 11 | <p><b><u>COMAF 11</u></b></p> <p>Non-compliance with laws and regulations (Fruitless and Wasteful Expenditure)</p> <p>Section 62(1)(d) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), states that the accounting officer of a municipality must take all reasonable steps to ensure that fruitless and wasteful expenditure is prevented.</p> <p>As disclosed in note 46.2, <i>Fruitless and wasteful expenditure</i>, expenditure to the amount of R465 952 was incurred, therefore reasonable steps were not taken to prevent fruitless and wasteful expenditure as required by section 62(1)(d) of the MFMA.</p> <p>Two instances arose where an employees was found</p>   | <p>It is recommended that management put preventative measures in place to avoid instances where employee negligence results in fruitless and wasteful expenditure.</p> | <p>Management agrees with the audit finding as raised but wish to state the following:</p> <p>Controls are in place to prevent fruitless and waste and wasteful expenditure, but in certain instances it is only detected after it has been incurred and in that instances the necessary applicable controls are in place to look at ways to recover it.</p> <p>Management will consider improved preventative controls to ensure that fruitless and waste expenditure is not incurred or minimised.</p> | <p>Mr CF Hoffmann<br/>Mr B Brown</p> | <p>It is disclosed in the AFS</p> |

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|           | <p>to have acted negligently in their duties which resulted in the municipality incurring expenditure in vein that could have been avoided had these employees acted with due care. These employees are currently under investigation to determine whether the expenditure can be recovered.</p> <p>The municipality may incur financial loss as a result of expenditure incurred in vein that could have been avoided had reasonable care been exercised.</p>   |   |  |                                      |   |
| <b>12</b> | <p><b>COMAF 12</b></p> <p>Paragraph 17 of Generally Recognised Accounting Practice 1 – Presentation of financial statements (GRAP 1) states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.</p> <p>The audit identified a commitment that was disclosed in the note 48, Capital Commitments recorded at an incorrect amount.<br/>VAT was erroneously taken into account on a contract when the note for commitments was calculated.</p> <p>Commitments are overstated by R1 740 261.</p> | <p>Management should review the notes to the financial statements to ensure that information reflected therein agrees to the supporting schedules. Furthermore, management should amend the financial statements to accurately reflect commitments in respect of capital expenditure.</p> | <p>Management agrees with the audit finding as raised.</p> | <p>Mr CF Hoffmann<br/>Mr B Brown</p> | <p>Processes will be put in place to check and verify that the required notes balance to the schedules.</p> |
| <b>IT</b> | Audit Finding  | AG Recommendation   | Management Response  | Responsible person                   | Action / Progress to Date -   |

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| 1. | <p>User access management:<br/>User access control is the systematic process of managing the access of users to an application and network. The process includes the creation, approval, disabling, modifying, removal and monitoring of user accounts user accounts and related user privileges with a set of user access management procedures. Suprima is a feeder system into Promun therefore during the 2014 financial year management focused on the design of controls for monitoring system administrator activities and review of user access rights on Suprima. Management finalised the design of these controls during July 2014 and planned to implement the controls during the 2015 financial year.</p> <p>The municipality's user base is small and is well known to the IT manager. As a result, management considered the existing process sufficient to mitigate the risks associated with password resets.</p> | <p>Management should ensure that:<br/>System administrator activities on the applications are reviewed for appropriateness on a regular basis and evidence of these reviews should be retained for audit purposes. Management should consider the review of exception reports to identify suspicious system administrator activity on the applications.<br/>User access to the applications is reviewed on a regular basis to ensure that users' access is in line with current job responsibilities. Evidence of review should be retained for audit purposes. In addition a formal process for resetting network domain user passwords should be followed to ensure that the authenticity of the password request is confirmed and that the user's identify is sufficiently verified.</p> | <p>Management agrees with the finding and the internal control deficiency.<br/>Exception reports for Promun can be generated. The Finance Manager: I &amp; E will review these exception reports on a regular basis to identify any suspicious system administrator activity and also to identify any users that may have inappropriate/excessive access to the system. The recommendation will also be implemented for the Active Directory environment. Since no financial transactions are processed on Suprima, the primary controls for monitoring of user and system administrator access will be implemented on the Promun system. The user management policy will be updated to reflect this.</p> <p>Management agrees with the finding and the internal control deficiency.<br/>The process for password resets will be formalised to ensure that requests for password resets are documented. The updated process will be included in the user management policy and will be communicated to all users.</p> | <p>Mr E Prins<br/>Mrs C Matthys</p> | <p>An assessment of the corrective actions agreed upon by management will be performed after three months or as per the due date</p> |
|    | <b>Audit Finding</b>  | <b>AG Recommendation</b>  | <b>Management Response</b>  | <b>Responsible person</b>           | <b>Action / Progress to Date -</b>   |
| 2. | <p><b><u>Security management</u></b> -<br/>Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare the financial statements.<br/>An AD migration from Windows 2003 to Windows 2008/2012 took place in February 2014 and not all of the password settings were transferred to the new version during the migration.</p>   | <p>Management should review system password settings and amend settings where these are not in line with IT security policy requirements.</p> <p>Management should periodically review the firewall configuration. These reviews should provide an indication of key firewall security risks faced by the organisation and be aligned to the</p>  | <p>Management agrees with the finding and the internal control deficiency.<br/>The password complexity and lockout duration settings have been updated as per the recommendation.</p> <p>A standard operating procedure for the firewall will be documented and will include procedures for reviewing the firewall configuration. A firewall audit will be performed and recommendations will also be</p>   | <p>Mr E Prins<br/>Mrs C Matthys</p> | <p>The corrective actions agreed upon by management will be followed-up during the next audit.</p>                                   |

|    | <p>The firewall has been implemented in June 2014 and the municipality is still in the process of formalising management processes around the firewall.</p>  | <p>firewall configuration settings that have been implemented. Evidence of these reviews should be maintained for audit purposes.</p> <p>The DRP should be amended to make provision for the firewall environment and should, at a minimum, include the following:</p> <ul style="list-style-type: none"> <li>• Disaster definitions</li> <li>• Definition of responsibilities and contact details of the firewall administrator and/or vendor</li> <li>• Firewall recovery/installation procedures (including the specific firewall version and firewall baseline standards)</li> <li>• Contingency processing alternative exists in the event that the firewall is not restored within the recovery time objectives.</li> </ul> <p>In addition management should restrict the range of internal and external IP addresses that are allowed to log on to the firewall for administrative purposes.</p> | <p>considered for inclusion in the standard operating procedure.</p> <p>The existing disaster recovery plan will be updated to make provision for the firewall. Once the DRP site is completed, disaster recovery tests will be performed and will include testing of the firewall.</p> <p>The range of internal and external IP addresses that are allowed to log on to the firewall will be restricted. A standard operating procedure for the firewall will be documented and will include the restricted range of IP addresses.</p> |  |  |
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|    | <b>Audit Finding</b>   | <b>AG Recommendation</b>  | <b>Management Response</b>  | <b>Responsible person</b>              | <b>Action / Progress to Date -</b>   |
| 3. | <p><u>IT service continuity</u></p> <p>IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes IT continuity planning, disaster recovery plans and</p> | <p>Management should ensure that the backup policy is updated to reflect current processes, approved and implemented into daily operations. In addition, where failed backups are re-run to ensure that they are successful, evidence of the successful backups should be maintained for audit</p>  | <p>Management is in agreement with the finding and internal control deficiency.</p> <p>The backup software configuration has already been amended to ensure that full backups of virtual servers (snapshots) are performed and that all scheduled backups are successfully run.</p> <p>The backup policy will also be updated to reflect the</p>  | <p>Mr E Prins</p> <p>Mrs C Matthys</p> | <p>The corrective actions agreed upon by management will be followed-up during the next audit.</p> |



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|  | backups. | <p>purposes.</p> <p>Management should develop a project plan to monitor and track the completion of the disaster recovery site. Once DRP site is completed, the DRP should be formally tested according to predefined key performance criteria. Evidence of testing should be formally approved by appropriate management</p> | <p>new process that is being followed for backups.</p> <p>A Project Manager was appointed in 2014/15 financial year to manage the implementation of the disaster recovery site. A project plan will be put in place to monitor and track the progress of the disaster recovery site implementation according to agreed mile stones and timelines, and will also make provision for testing of the DRP once the site is completed.</p> |  |  |
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