DRAFT ANNUAL REPORT 2013/14

MANGAUNG

AT THE HEART OF IT ALL

MANGAUNG METROPOLITAN MUNICIPALITY

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CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD

The Mangaung Metropolitan Municipality (MMM) envisions a city that will be striving to become a progressive municipality that is "*globally safe and attractive to live, work and invest in*". To realise this vision, the City has adopted eight development objectives to be pursued during this term of local government.

1) Poverty eradication, rural and economic development and job creation;
2) Financial sustainability (*e.g. revenue enhancement, clean audit*);
3) Spatial development and the built environment;
4) Eradication of bucket system, VIP toilets in Botshabelo, Bloemfontein and Thaba Nchu, focus on the basic services, implementing feasibility study into building a solar plant. safety and security;
5) Human Settlement;
6) Public Transport;
7) Environmental Management and Climate Change;
8) Social and community services.

For the year under review, the City has attained significant successes in relation to provision of municipal services, building of the requisite service delivery infrastructure, facilitating access to shelter, playing pivotal role in growing the Gross Geographic Product of the municipality and thus broadening the revenue tax base, ensuring a significant percentage of households have access to a basket of free basic services, provision of effective emergency and environmental health services and effective maintenance of service delivery infrastructure and assets. An overview of the following projects and services provided attest to the mentioned achievements.

- 99.9% of formalised households have access to electricity services and 392 households at Selosesha were electrified
- 53 high mast lights installed to provide public lightning;
- 20 105 of registered indigent households have access to Free Basic Water, Free Basic Sanitation, Free Basic Electricity and Free Basic Waste Removal Serves;
- 4,383 additional households serviced with waterborne sanitation;
- Embarked on the implementation of Water Demand Management Programme and the net result was the reduction of Non-Revenue Water in 2013/2014 to 31%
- 165 464 formal households provided with weekly kerb-side waste removal services;;
- 4.67 kilo-meters of gravel roads upgraded to paved/tarred road;
- 4880 title deeds issued and registered;,
- Four (4) informal settlement upgraded;
- Redevelopment of Naval Hill Master Plan – public viewing areas and parking areas
- 2260 jobs were created through the Expanded Public Works Programme (EPWP) projects;
- Conducted inspection on shelters for the elderly and inspected 228 Early childhood Development Centres
- Succeeded in promoting literacy in communities through acquiring new books for libraries;
- 413 trees have been planted
- City has succeeded in organising clean and green campaigns to raise community awareness and elicit reciprocal civic duty;
- The City continues to provide efficient environmental health services – *food and water safety programmes, analysis of water and foodstuffs, pest, vector control and disinfestations services, etc.;*
- 109 known initiation schools were inspected;
- The City continues to perform well in relation to promoting awareness and educate communities on HIV/AIDS;
- Effective fire and disaster management services are being provided;
- Installed 15 permanent cameras in Botshabelo and Thaba Nchu;
- Secured R600 million loan to finance infrastructure projects;
- Attained a collection rate of 91.65%;
- Effective internal audit services are being provided;
- Number of actions taken to prevent fraud, corruption and maladministration

Despite the highlighted successes, the following challenges will be dealt with in the outer years:

- *Increase the pace of VIP eradication and bucket eradication programme;*
- *Electricity line losses, electricity theft and bridging of electricity meters;*
- *Eradicating road and storm-water backlogs*
- *Upgrading of service delivery infrastructure;*
- *Facilitating housing development;*
- Supporting SMMEs development and agricultural enterprises established;
- Improve in relation to inspection of food premises;
- Expediting the process of obtaining assignment of ambulance services from the Member of the Executive Council (MEC) for Health;
- Development and implementation of IGR Strategy and Knowledge Management;

The City has used community meetings, summits, stakeholder workshops, one-hour engagement with the Executive Mayor as platforms to engage communities and kept them abreast of the developments in the City.

The City has committed itself to eradicate the VIP toilets in Botshabelo, Thaba Nchu and Mangaung (Bloemfontein) in the next six years

The City is on course to attaining its set development objectives and will redouble its efforts in the outer years to deliver on its mandate in partnership with other spheres of government and social partners.

(Signed by :)……
Executive Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

The City has ensured that forward planning is concluded in relation to capital projects through the development and implementation of the Capital Project Procurement Plan and constantly monitoring the performance of the City in implementing its Capital programme. The net positive result has been the improvement in capital expenditure spent to 82% for the 2013/2014. However, efforts will be expended in the next financial year to ensure that the set performance target of 95% is attained.

The City has ensured that there is alignment between Council priorities and service delivery targets encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP) of the City. Periodic quarterly performance reviews of Heads of Departments have been facilitated and areas that need improvements are highlighted.

The City continues to perform exceedingly well in relation to provision of municipal services. The preceding executive summary on performance by the Executive Mayor provides a detailed account of the highlighted service delivery performance.

The City is succeeding in stabilising its financial position and a solid foundation is laid for financial sustainability and health of the City. A collection rate of 91.65% against a set target of 95% has been attained.

The City has been working actively with its municipal entity Centlec to ensure that approved Audit Action Plans are implemented effectively in addressing issues raised by the Auditor-General.

BRIEF OVERVIEW OF THE MANGAUNG METROPOLITAN MUNICIPALITY

The Mangaung Local Municipality (MLM) was established in 2000 with the amalgamation of four former transitional councils, but was recently (May 2011) elevated from a category "B" municipality to a category "A" metropolitan municipality. This new status presented both challenges and opportunities to the Mangaung Metropolitan Municipality (MMM) and it is against this background that the Municipality is excited to fulfil its Constitutional mandate by focusing on effective and efficient municipal service delivery, growing the economy and empowering its community. The Council of Mangaung last year adopted a comprehensive integrated development plan covering this term of local government (2012 -2016). Critically the comprehensive IDP for the City was embedded and informed by the following eight key development priorities:

- Poverty eradication, rural and economic development and job creation
- Financial sustainability e.g. revenue enhancement, clean audit
- Spatial development and the built environment
- Eradication of bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility, safety & security
- Human Settlement
- Public Transport
- Environmental Management and Climate change
- Social and community services

This report will express itself to the strides the MMM has been taking in responding to the above in the year under review

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

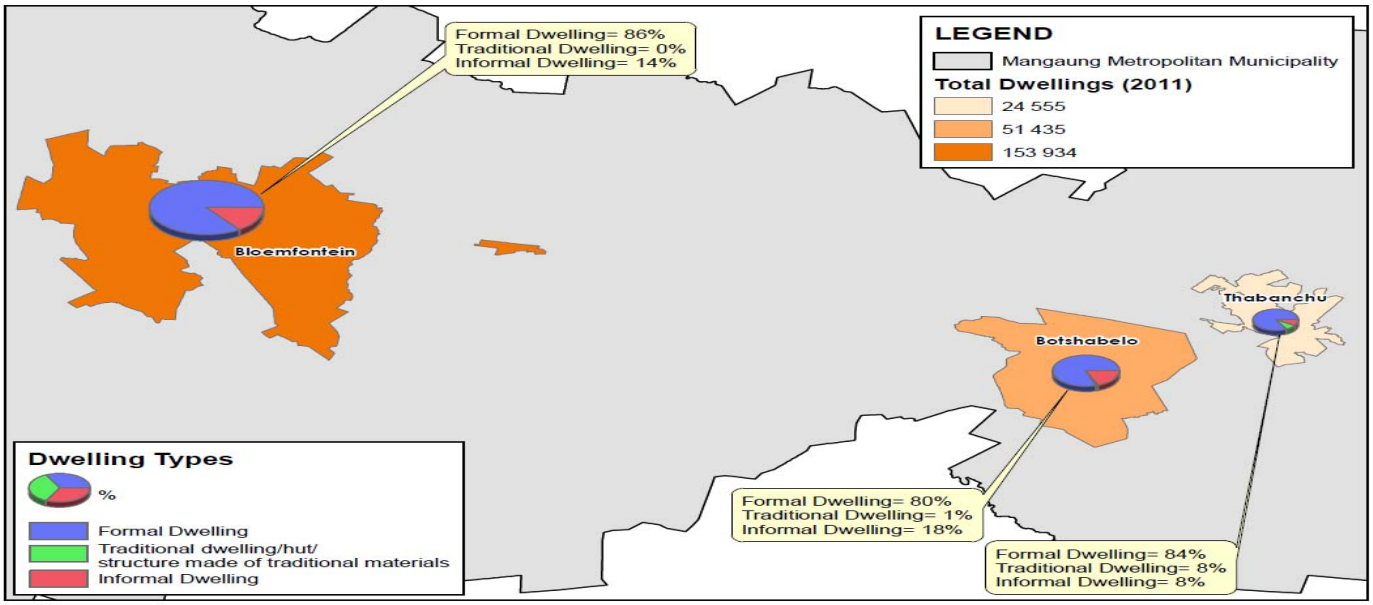
Table 1.1: POPULATION DETAILS OF THE MUNICIPALITY 2013/14

Age	Male	Female	Total
0 – 4	37636	37712	75348
5 – 9	32930	32716	65646
10 – 19	65680	65102	130782
20 – 29	81005	76947	157952
30 – 39	56357	55545	111902
40 – 49	39649	46709	86358
50 – 59	26086	33234	59320
60 – 69	14251	20375	34626
70 +	8592	16905	25497
Total	**362186**	**385245**	**747431**

Source Census 2011, STATSSA

As the table above will indicate the population of Mangaung is fairly spread over all age groups but there are more young people than any other grouping with young people from the ages of 10 to 39 constituting the majority *(53.6%)* of the residents of Mangaung Metropolitan Municipality. This in essence means that the municipality has to tighten its efforts to areas of youth development and early childhood development.

Figure 1.1: FORMAL AND INFORMAL DWELLINGS IN MANGAUNG



Source Census 2011, STATSSA

Formal dwellings represent 86% of the households in the town of Bloemfontein; there are no traditional dwellings and about 14% is informal dwellings. In Botshabelo formal dwellings represent 80%, traditional dwellings represent 1% and informal settlements represents 8%, while in Thaba Nchu formal dwellings represents 84%, traditional dwellings 8% and informal settlements represent 8% of the total number of dwellings.

1.2.1 SOCIO ECONOMIC STATUS

Although there is a significant shift in the unemployment rate in Mangaung it remains very high as the table below indicates. The biggest gap is with women and youth particularly black females. This in essence means that as a municipality we must increase our efforts in relation to creation of employment opportunities through amongst others; the EPWP initiatives and other skill development initiatives.

BELOW ARE TABLES RELATED TO SOCIO ECONOMIC STATUS OF THE MMM:

Table 1.2: SOCIO ECONOMIC STATUS

Socio Economic Status						
Year	**Housing Backlog as proportion of current demand**	**Unemployment Rate**	**Proportion of Households with no Income**	**Proportion of Population in Low-skilled Employment**	**HIV/AIDS Prevalence**	**Illiterate people older than 14 years**
2013/14	53,820	27.7%	11,4%	64%	85049	16%

Source Census 2011, STATSSA

Investigations in the municipality revealed that in the year under review our housing backlog stands at 53 820 and growing. This is because of the mushrooming of shacks and informal settlements. Further this is exacerbated by the continuing influx of people from neighbouring small municipalities, provinces and countries (Lesotho). This in itself has a bearing on the metro's efforts of curbing unemployment which stands at 27.7%.

Table 1.3: UNEMPLOYMENT RATES (POPULATION AGED BETWEEN 15 AND 64 YEARS)

	Male	Female	Total
Employed	115433	96313	211746
Unemployed	36151	45074	81225
Not economically active	95133	118818	213951
Unemployment rate	23.8	31.9	27.7

Source Census 2011, STATSSA

There are more employed people in Mangaung than those who are unemployed from the economically active groups, the challenge is that most people are employed in low skilled jobs because of amongst other things, their levels of education as the table below will demonstrate that about 38.0% of the labour force of Mangaung has completed some secondary and 28.2% have completed matric and only 12.7% has post matric qualification

Table 1.4: EDUCATION LEVEL (POPULATION AGED 15 YEARS AND ABOVE)

	Persons	Percentage
No schooling	20368	3.87
Some primary	64657	12.27
Completed primary	26242	4.98
Some secondary	200132	37.99
Grade 12/Stud 10	148399	28.17
Higher	67007	12.72
Other	-	-
Total	**526805**	**100.0**

Source Census 2011, STATSSA

Table 1.5: EMPLOYMENT STATUS BY EDUCATIONAL LEVEL (POPULATION AGED BETWEEN 15 - 64 YEARS)

	Employed	Unemployed	Not Economically Active
Persons			
No schooling	4648	1777	7450
Some primary	18553	7653	26506
Completed primary	8152	4214	11918
Some secondary	61055	36307	93348
Grade 12 / Std 10	73167	26211	45292
Higher	45101	4922	12426
Other	1070	141	482
Total	**211746**	**81225**	**197422**
Percentages			
No schooling	2.2	2.2	3.8
Some primary	8.8	9.4	13.4
Completed primary	3.8	5.2	6.0

	Employed	Unemployed	Not Economically Active
Some secondary	28.8	44.7	47.3
Grade 12 / Std 10	34.6	32.3	22.9
Higher	21.3	6.1	6.3
Other	0.5	0.1	0.3
Total	**100.0**	**100.0**	**100.0**

Source Census 2011, STATSSA

The worrying factor is that there are 6.1% of graduates from Institutions of higher learning who are unemployed and about 32.3% of those with matric who do not have jobs. This gives a distinct impression that the economy of Mangaung has not strengthened itself enough to be able to absorb this skill. There is a need for joint cooperation between government and the private sector in ensuring that more job opportunities are being created and harnessed in the city.

Table 1.6: ANNUAL HOUSEHOLD INCOME

Income levels	Households	Percentages
No income	26408	11.4
R 1 - R 4800	10759	4.6
R 4801 - R 9600	15785	6.8
R 9601 - R 19 600	39773	17.2
R 19 601 - R 38 200	46813	20.2
R 38 201 - R 76 400	32665	14.1
R 76 401 - R 153 800	23928	10.3
R 153 801 - R 307 600	18641	8.0
R 307 601 - R 614 400	11654	5.0
R 614 001 - R 1 228 800	3674	1.6
R 1 228 801 - R 2 457 600	982	0.4
R 2 457 601 or more	826	0.4
Total	**231908**	**100.0**

Source Census 2011, STATSSA

Table 1.7: NATURAL RESOURCES

MAJOR NATURAL RESOURCE	RELEVANCE TO COMMUNITY
Water	Provision of water is very essential to any community
Vast Agricultural land	Given the high unemployment rate, communities still have access to land for agricultural activities
Sunshine	Solar power
Naval Hill	Being developed as a tourist attraction

1.2.2 KEY CHALLENGES AND OPPORTUNITIES FOR THE CITY

1.2.2.1 FINANCE

There is an appreciable progress made in terms of capital projects with the total capital expenditure spent for the year under review at 82%. There is an urgent need of enhancing the implementation of rigorous credit control measure in the City given the rising service arrears debt.

1.2.2.2 HUMAN SETTLEMENTS

Like most South African municipalities, Mangaung Metro has the characteristic of a segregated and fragmented city. Bloemfontein is the economic bellwether upon which Botshabelo and Thaba-Nchu regions depend. The city has developed in a binary manner with much investment in the northern areas, growing speedily towards the western part of the City, whereas the south-eastern part has been characterised by low-income and low density government subsidised settlements. These characteristic evinces apartheid spatial planning. In an endeavour to overcome this and foster integration, the Metro has determined that a development corridor be initiated along the N8 connecting the three regions.

Stats SA 2011 data suggest that Mangaung received approximately 6 577 non-South African citizens in the previous decade. Similarly, an own study conducted in 2010 indicated that housing backlog in the municipality stood at 53 820, and this number increased to 58 820 in 2011. The demand was mainly found in the affordable (GAP) and rental market. The attendant pressures of urbanisation, migration, population increase and declining economic performance of all factors of production collectively places strenuous demands on the services government provides.

Among instruments to address its housing backlog, has been the acquisition by the Mangaung Metro of seven (7) strategic land parcels for the implementation of mixed use development to create integrated human settlements. Such an instrument upon which the Metro has predicated its approach is the strategy consisting of a combination of *retail, recreational, residential, and industrial* and *community facilities*. Collectively, these developments will entail various housing typologies and provide wide tenure options to beneficiaries, such as ownership, rent, and rent-to-buy as well as mortgage loan options within the same geographic space.

1.2.2.3 SOCIAL SERVICES

The City continues to provide effective social services such as fire, emergency and library services, HIV/ AIDS awareness. However, the Department should deal with the following challenges:

- Acquisition of fleet for fire and emergency services;
- Establishing the metro police and obtaining assignment in relation to ambulance services.

1.2.2.4 RELEVANCE OF THE 4 MAJOR NATURAL RESOURCES

The city has been redeveloping Naval Hill as a precinct for tourism, a second viewing area, landscaping and the building of the Edge Restaurant.

Sunshine in Mangaung is all year round although it is cold in some parts of the year but imperative for the city in the efforts of eradicating the 0.1% electricity backlogs in the city in relation to formal households. Already some new housing developments are fitted with solar energy sources and are working well.

Water as a scarce resource is another imperative natural resource in the city and although there are still huge water backlogs they are largely because of the continuous mushrooming of informal settlements.

There are more than 44 rural villages in the City and all have vast grazing and ploughing land suitable for agricultural activity. Also the periphery of the city is surrounded with farms and, this means that there are serious growth potentials for agricultural development in the city.

1.3 SERVICE DELIVERY OVERVIEW

The city has been able to deliver more than 4880 title deeds to its citizens in the financial year 2013/14 and provided over 2890 housing opportunities. The Brandwag social housing project represents a key delivery milestone in integrated human settlements in the city. The City has attained the following milestones in relation to provision of municipal services.

- 99.9% of formalised households have access to electricity services and 392 households at Selosesha were electrified
- 53 high mast lights installed to provide public lightning;
- 20,105 of registered indigent households have access to Free Basic Water, Free Basic Sanitation, Free Basic Electricity and Free Basic Waste Removal Serves;
- 4,383 additional households serviced with waterborne sanitation;
- Embarked on the implementation of Water Demand Management Programme and the net result was the reduction of Non-Revenue Water in 2013/2014 to 31%
- 165,464 formal households provided with weekly kerb-side waste removal services;;
- 4.67 kilo-meters of gravel roads upgraded to paved/tarred road;
- 4,880 title deeds issued and registered;,
- Four (4) informal settlement upgraded;

1.4 FINANCIAL HEALTH OVERVIEW

The City has attained collection rate of 91.65% that represented 4.35% less than the set annual target of 96%.

The City has obtained a qualified audit opinion on its Annual Financial Statement and Annual Performance Report for 2012/2013 and has implemented an Audit Action Plan that is geared towards obtaining an improved audit outcome for the year under review (2013/2014)

By the end of the financial year cost coverage stood at >1.62 and this clearly demonstrate that the City has to do more in implementing credit control and debt collection policies in order to ensure a solid path of improving its liquidity position.

The City has succeeded in obtaining a loan of R600 million from Standard Bank and the Development Bank of Southern Africa (DBSA) to finance infrastructure and revenue generating projects.

CHAPTER 2 – GOVERNANCE

INTRODUCTION

Municipalities in South Africa are governed by Municipal Councils. Mangaung Council is therefore the governing body of the Mangaung Metropolitan Municipality and the custodian of its powers, duties and functions, both legislative and administrative. Essentially, the Council performs a legislative and executive role. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of the Council as being:

- (making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality;
- (electing) its chairperson;
- (electing) an executive committee and other committees, subject to national legislation;
- (Employing) personnel that are necessary for the effective performance of its functions.

Municipal Council comprises the governing and decision making body of the Municipality whilst municipal officials and staff focus on implementation. Council determines the direction for the municipality by setting the course and allocating the necessary resources. Council establishes the policies, and municipal staff ensures that those policies are implemented. Decisions made at Council or committee level are often the result of a lot of research, consultation and advice from staff, residents, business people, and interested parties. Often there are competing interests and financial constraints that must be considered.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

The Mangaung Metropolitan Municipality is governed by a council led by an Executive Mayor. All major policy and administrative decisions are presented, resolved and implemented after the approval of Council. The political system in the municipality is functioning well in that all major committees and participatory organs in the Metro are fully functional. The Municipality has a functional oversight committee that meets regularly to consider policy direction and track performance of the municipality, There is a functional audit committee that periodically provide advice to Council. There is a Municipal Public Accounts Committee (MPAC) that continues to interrogate municipal performance and thus assist the municipality to act in the manner that assist service delivery. The annual report is publicized for scrutiny and comment of the public as well.

2.1.1 POLITICAL STRUCTURE OF MMM

1. Executive Mayor: Councillor Thabo Manyoni
2. Deputy Executive Mayor: Councillor Connie Rampai
3. Speaker: Councillor Mxolisi Siyonzana
4. Chief Whip: Councillor Zolile Mangcotywa

Table 2.1: MEMBERS OF THE MAYORAL COMMITTEE

Members of the Mayoral Committee	Responsible Councillor
Finance	Councillor Nthabiseng Mokotjo
IDP	Councillor Connie Rampai
Human Settlements	Councillor Xolo Pongolo
Rural Development and Environment	Councillor Sabelo Monnakgori
Economic Development and Tourism	Councillor Mmaneheng Tsomela
Development Planning and Urban Management	Councillor Papiki Moeng
Health and Social Development	Councillor Maditaba Matsoetlane
Corporate Governance and Administration	Councillor Nesta Rabela
Infrastructure and Services	Councillor Lebogang Masoetsa
Transport, Security and Emergency	Councillor Moses Sekakanyo

The Mangaung Council is constituted by 97 elected public representatives of which 49 are ward representatives and 48 represent their political parties on a proportional basis. The parties in Council are illustrated in the table below.

Table 2.2: POLITICAL PARTIES REPRESENTED IN THE COUNCIL

Political Parties in Council	Total Seats	Ward Seats	PR Seats
African National Congress	65	38	27
Democratic Alliance	26	11	15
Freedom Front	2	-	2
African People's Convention	1	-	1
Congress of the People	3	-	3

Table 2.3: THE GOVERNANCE STRUCTURE OF MANGAUNG METROPOLITAN MUNICIPALITY

Structure	Responsible for	Oversight Over	Accountable to
Council	Approve policies and budget	Executive Mayor, Mayoral Committee and Audit Committee	Community
Executive Mayor	Policies, budget, outcomes, management and oversight over City Manager	City Manager	Council
City Manager	Outputs and implementation	The administration	Executive Mayor
CFO & EMT	Outputs and implementation	Financial management and operational functions	City Manager

POLITICAL DECISION MAKING

A routing system of matters reserved referred to the Council is followed, namely:

Reports are initiated by the Heads of Departments and submitted to the Corporate Secretariat Sub-Directorate. The reports are covered with a yellow cover page, numbered, headed and registered in the Council Item Register Book to indicate that the reports have been entered as an item into the system. The items are sent to the City Manager for scrutiny. The City Manager engages with the reports, indicates under comments whether the reports are recommended

for consideration to the Executive Mayor, signs it and the items are then forwarded to the Executive Mayor for political engagement. The Executive Mayor then under comments on the yellow cover page indicates whether he approves the items, whether the items should be served on an agenda of the relevant Section 80 Committee meeting or whether the items should go to Council, signs the yellow form and sent it back to the Corporate Secretariat Sub-Directorate. The items with the yellow cover page, now fully completed with all the necessary comments and signatures, are then included in the agenda of the next ordinary/special agenda of the Mayoral Committee where all the approved items be placed on the agenda of the Council to serve before the Council for final approval.

Items on the agenda of the ordinary meetings of the Mayoral Committee and the Council are categorized as follows, namely:

Section A	-	Items for Consideration
Section B	-	Items in terms of Delegated Power
Section C	-	Items for Information

Once the Council has decided on a report, it is then a resolution of the Council. The City Manager executes the decision/resolution taken by the Council by issuing execution letters to the relevant Departments.

Decisions/Resolutions taken by the Mangaung Metropolitan Municipal Council: -

Meetings held: July 2013 – Dec 2013	89 Resolutions
Meetings held: Jan 2014 – Jun 2014	44 Resolutions
Total Resolutions	133

2.2 ADMNISTRATIVE GOVERNANCE

The administration is headed by the City Manager as the Chief Accounting Officer. The day-to-day management of the Municipality is done by staff under the direction of the City Manager and Heads of Departments. The City Manager and Heads of Departments have broad and general management responsibilities, such as making sure staff is kept abreast on Council's direction, and identifying gaps in service delivery. Together with Council they must monitor progress on set goals and priorities.

TOP ADMINISTRATIVE STRUCTURE

The administration is made up of the following Departments headed by members of the Executive Management Team:

1. City Manager
2. Head: Corporate Services
3. Head: Finance
4. Head: Engineering service
5. Head: Strategic Services and Projects
6. Head: Social Development
7. Head: Planning
8. CEO: Centlec (entity)
9. Deputy Executive Director: Organisational Planning and Performance Management

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS IN THE CITY

The City participates in Intergovernmental Forum at national and provincial level. The municipality participates actively in the Premier Co-ordinating Forum (PCF) and the MECLOGA to raise challenges facing the municipality with other municipalities, provincial government departments and South African Local Government Association (SALGA) Free State Provincial Chapter. Further the city is a member of the Forum of Heads of Departments in the province (FOHOD).

At national level, the municipality participates in Human Settlement MINMEC which is a platform to provide progress in implementing the Urban Settlement Development Grant (USDG) and tease out the impact and outcome thereof.

The benefit of participating in these structures is highlighted in opportunities to be harnessed by the municipality in fostering strategic partnerships with government departments.

RELATIONSHIP WITH MUNICIPAL ENTITIES

The municipality has established a municipal entity Centlec to provide electricity services to its citizen and manage and maintain public lightning on the behalf of the City. The decisions of Centlec, are taken by a duly constituted Board of Directors and through the business plan and Sale of Business agreement the entity account to the City through the Executive Mayor

COMPONENT C: OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

As provided for in Legislation the municipality convened a series of meetings using a ward clustering system to involve communities to participate actively in the unfolding planning, monitoring and budgeting processes.

The Municipal Systems Act (MSA) states that the IDP must include a vision for the long-term development of the municipality and development priorities, which must be aligned with national and/or provincial sectoral plans and planning requirements. In terms of the MSA and Municipal Finance Management Act (MFMA), the Municipality has been reviewing its Integrated Development Plan and the organizational scorecard on an annual basis whilst on the other hand compiling the Service Delivery and Budget Implementation Plans for each year.

Annual reports address the performance of the Municipality against its performance measures as outlined in the service delivery and budget implementation plan. The SDBIP primarily captures annual delivery agenda of the municipality as spelt out in the Integrated Development Plan and the budget. In sync with the deeply entrenched culture of public participation, the setting of the delivery for the period under review was highly participatory. The participation in the IDP as well as the budget encompassed involvement in the planning for the development and budget allocation including implementation of programmes and projects that require community involvement for them to be sustainable and have the lasting impact.

2.4 PUBLIC MEETINGS

The Mangaung Metropolitan Municipality consult with the public throughout the financial year on IDP and tariffs including annual reports and by laws, The Municipality has 49 wards and 49 ward committees that are functional. Because of the vast nature of our Municipality we cluster wards to be able to reach a wider audience as possible and consult with our public from November to April on the revised tariffs and IDP priorities. The Municipality publishes its public meetings in local newspapers and radio stations and also on municipal website.

The following is a list of documents published and made available to the public yearly:

- The annual and adjustments budgets and all budget-related documents;
- All budget related policies
- The Annual Report
- All Performance Agreements required in terms of section 56 of the Municipal Systems Act
- All Service Delivery Agreements
- All Municipal Tenders
- All Weekly Quotations of the Municipality
- All quarterly reports tabled in the council in terms of section 52 (d)
- All Vacancies of the Municipality
- Information about Tourism and Places of interest in Mangaung
- Contact Information for all Directorates and Sub-Directorates
- The Integrated Development Plan (IDP)
- The Service Delivery and Budget Implementation Plan (SDBIP)
- Spatial Development Framework (SDF)
- Council Resolutions

WARD COMMITEES

Ward committees in the Metro serve as an interface between the community and the municipality. They pick up day to day service delivery issues in wards and through the ward councillor they advance those issues for council attention. Ward committees are a single most important cadre that government has to ensure efficient and result based participatory system

Table 2.4: PUBLIC MEETINGS

Public meetings					
Nature and purpose of the meeting	**Dates of event**	**No of participating councillors**	**No of participating Municipal councillors**	**Number of community members attending**	**Dates and manner of feedback given to community**
IDP and budget consultative meetings	Nov - April	All ward councillors of the clusters involved	All ward councillors of the clusters involved, the deputy mayor and the Speaker	Numbers vary from cluster to cluster	Feedback is provided during the second round of the consultations normally in March
Annual report	Feb - March	All councillors	All councillors	Numbers vary from cluster to cluster	Feedback is provided during the second round of the consultations normally in March
By laws	As and when they are up for public consumption	Councillors affected	Councillors affected and the relevant MMC	Numbers vary from cluster to cluster	Feedback provided after consultations have been finalised and council has resolved
Tariffs	Nov to April	All ward councillors of the clusters involved	Councillors affected and the relevant MMC	Numbers vary from cluster to cluster	Feedback is provided during the second round of the consultations normally in March
SDF and other sector plans	Nov to April	All ward councillors of the clusters involved	Councillors affected and the relevant MMC	Numbers vary from cluster to cluster	Feedback is provided during the second round of the consultations normally in March
Celebration of 20 years including exhibition	03-05 May 2014		On average 35 councillors attended 5 activities organised for the Celebration of 20 years of Freedom	On average 4200 members of the community attended these events	Freedom celebration
Handover of class rooms at Monokotswai	25/06/2014		15	500	Handover of new classrooms

Public engagements in the city have by far been the most successful issue in the sense that public is given an opportunity to contribute, interrogate and engage on municipal priorities and furthermore the municipality organise feedback sessions to report back on what communities have been saying and how the municipality is responding. The IDP of the municipality also has a column that speaks to community needs and municipal responses.

2.5 IDP PARTICIPATION AND ALIGNMENT

Table 2.5: IDP AND ALIGNMENT

IDP Participation and alignment criteria	Yes/no
Does the municipality have impact, outcome, input, output indicators	Yes
Does the IDP have priorities, objectives, KPI's development strategies?	Yes
Does the IDP have multiyear targets?	Yes
Are the above aligned and can they calculate to a score	Yes
Does the budget align directly to the KPI in the strategic plan?	Yes
Does the IDP KPI align to section 56 managers?	Yes
Do the IDP KPI lead to functional area KPI as per SDBIP	Yes
Were the indicators communicated to the public	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATIVE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

The Municipal Finance Management Act (MFMA) places an injunction on the municpality to maintain an effective, efficient and transparent system of risk management.

It is the Municipality policy to ensure that informed decisions are made with regards to service delivery activities by appropriately identifying and considering both risk and opportunities.

The Risk Management Committee has been established and performs its responsibilities in accordance with its approved Charter and advise management and the Audit Committee on matters related to risk management in the City.

To this effect all departments work together in a consistent and integrated manner with the overall objective of reducing risks to accepatable and manageable levels.

The municpality resolved after review that the risks that were identified during the 2012/13 financial year remained the same and relevant for the 2013/2014 financial year, the identified twelve strategic risks were linked to the strategic objectives. The risks were all rated and an action plan was developed to mitigate these risks. Strategic risk maturity progress was then compiled for 2013/14.

1) High poverty and unemployment levels in the City;
2) Threatened sustainability and financial viability of the City;
3) Lack of integrated built environment;
4) Inadequate service delivery;
5) Inadequate housing opportunities;
6) Ineffective public transport system;
7) Climate change and environmental degradation;
8) Inadequate social and community services;
9) Reputation risk
10) Fraud and corruption;
11) Inadequate Information Technology and Communication
12) Inability to assure good governance

The following are challenges in implementing risk management:

1. Cost of controlling the risk
2. Risk perceived as add on function

2.7 ANTI FRAUD AND CORRUPTION

The municipality has Fraud Prevention Plan that outlines the municipality's approach to curtailing the likelihood of fraud occurring, its prevention as well as the early detection thereof.

The numerious awareness sessions on fraud related matters were held.Apart from fraud prevention awareness sessions, the city also had information session on code of conduct and ethics.

Anti-Fraud and Corruption Unit investigate all reported allegations of fraud and has issued 22 reports for the year under review.Depending on the outcome of the investigation other cases are further referred to South African Police Services,HAWKS and the South African Revenue Services (SARS),etc

The municpality has established an Audit Committee that is periodically reviewing and advising on internal controls of the municipality. The Audit Committee is administratively supported by the Internal Audit Unit. For the period under review, the Audit Committee has successfully submitted its report to Council on 12 June 2014 on the work that it has performed and held its meetings as follows;

Table 2.6: MEETINGS OF THE AUDIT COMMITTEE

Meeting Number	Nature/type of meeting	Date
01/2013-14/26	Special	26 August 2013
02/2013-14/27	Ordinary	29 October 2013
03/2013-14/28	Special	5 December 2013
04/2013-14/29	Ordinary	19 March 2014
05/2013-14/30	Ordinary	23 May 2014
06/2013-14/31	Ordinary	30 June 2014

The municipality also has a functional Internal Audit Unit. This Unit is working in collaboration with both the Risk and Anti-Fraud Units to strengthen municipality's efforts to manage risks and combat fraud and corruption. For the period under review, the Unit has conducted about twenty three (23) internal audit reviews/investigations and has submitted its findings in the form of internal audit reports to both the Municipal Manager and the Audit Committee for consideration.

Public participation on by – laws development processes was facilitated during the annual review of the IDP and Budget, except for the Parking By-Laws which were conducted in terms of policy on the development and review of policies and by-laws.

2.8 MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL

Table 2.7: MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	**Yes / No**	**Publishing Date**
Current annual and adjustments budgets and all budget-related documents	Yes	6 March 2014 and 6 June 2014
All current budget-related policies		6 June 2014
The previous annual report (2012/2013)	Yes	
The annual report (Year 2013/2014) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2013/2014) and resulting scorecards	Yes	1 Feb 2014
All service delivery agreements (Year 2013/2014)	No	
All long-term borrowing contracts (Year 2013/2014)	No	
All supply chain management contracts above a prescribed value (give value) for Year 2013/2014	Yes	22 Jul 2013, 5 and 13 Sep 2013, 12 Nov 2013, 18 Dec 2013, 27 Jan 2013, 11 Apr 2014, 8 May 2014
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2012/2013	No	
Contracts agreed in 2013/2014 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in 2013/2014	No	
All monthly reports tabled in the council in terms of section 71 during 2013/2014	Yes	15 July 2013,20 Aug 2013,13 Sept 2013, 14 Oct 2013, 14 Nov 2013, 12 Dec 2013, 20 Jan 2014, 13 Feb 2014, 14 Mar 2014, 14 Apr 2014, 16 May 2014, 18 Jun 2014

The previous Internet Website and Server has been in place since 2002. Because the server has been utilized for 11 years and outdated, it has been hacked several times until it was damaged beyond repair and the database was ultimately corrupted.

A new Server has been deployed with the latest release of WordPress and SQL. A new Website has been designed and launched on 7 June 2013. All information that needed to be published since 1 January 2013 has been received and published onto the New Internet Website.

The new Website also contains the new structure based on the new organogram of the newly established Mangaung Metropolitan Municipality. All Directorates and Sub-Directorates have been requested to send all relevant information to the Web-Master to be published onto the new website. The new Internet Website has been designed to be date driven and keep history of all documents and information from date of publishing.

Website Visitor Traffic and Usage Statistics - www.mangaung.co.za

Report Period 1 July 2013 to 30 June 2014

Unique Visitors 127547, Homepage Hits 1403234, Total Web Site Hits 5745704, Bandwidth Used 277.837 GB, Homepage Hits Average per day 3844.477, Webpage Views Average per day 15741, Unique Visitors Average per day 1483.

CHAPTER 3 - SERVICE DELIVERY PERFOMANCE

INTRODUCTION

For the year under review the City continues to make significant strides in extending access to water and sanitation services, facilitated access to housing, implemented a number of projects to support Small Medium and Micro Enterprises(SMME) and rural development, facilitated the development of Airport Development Node, ensured that indigent households had access to Free Basic Water, Electricity, Sanitation and Refuse removal services and promoted development through prompt processing of development applications, provided efficient environmental health and emergency services and rehabilitated social amenities. Effective maintenance of assets was carried out that included resurfacing roads, rehabilitation of roads, storm-water canals, catch pits and pedestrian paving, electricity service infrastructure (network and streetlights)

The City has through its municipal entity; CENTLEC has ensured that all formal households have access to electricity services.

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION

Table 3.1: WATER SERVICE DELIVERY LEVELS

	Households	Percentages
Water: (above min level)		
Piped (tap) water inside dwelling/institution	106819	46.1
Piped (tap) water inside yard	94156	40.6
Piped (tap) water on community stand: distance less than 200m from dwelling/institution	19655	8.5
Minimum Service Level And Above sub-total	**220630**	95.1
Water: (below min level)		
Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution	4403	1.9
Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling /institution	1330	0.6
Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution	591	0.3
No access to piped (tap) water	4922	2.1
Below Minimum Service Level And Above sub-total	**11246**	4.9
Total	**231870**	**100.0**

Table 3.2: HOUSEHOLDS-WATER SERVICE DELIVERY LEVELS BELOW THE MINIMUM

Households-Water Service Delivery Levels below the minimum	
	2013/14
Formal and informal residential	
Total households	11 246
Proportion of households below minimum service level	4.9%

Table 3.3: WATER AND SANITATION SERVICE POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Eradicate water backlog	Ensure that formal domestic customers receiving water services	Formal domestic customers are receiving water services	% of formal erven with access to functioning basic water supply	94.54% of formal erven with access to functioning basic water supply	71.85% of formal erven with access to functioning basic water supply	71.63% or 166 635 households	-0.22%	Variance will be attended to be by the professional team in the next financial year.
	Address backlog of consumer units provided with a basic level of potable water above RDP standards	Consumer units provided with a basic level of potable water above RDP standards	Number of consumer units provided with a basic level of potable water above RDP standards	158 740 of consumer units provided with a basic level of potable water above RDP standards	166 555 of consumer units provided with a basic level of potable water above RDP standards	3127 households with access to basic level of portable water above RDP standard.	-163428	Variance will be attended to be by the professional team in the next financial year.
Eradication of buck system and VIP toilets	Ensure that formal domestic customers receiving sewerage services	Formal domestic customers receiving sewerage service	No. of formal domestic customers receiving sewerage services	519 households serviced with water borne	2139 households serviced with water borne	2583 households serviced with water borne sanitation	+444 households serviced with water borne sanitation	none
	% of Formal domestic customers receiving sewerage services	% of households that have access on their stand to at least a functioning basic sanitation	Number of Households	67.12% of households with access to waterborne sanitation	71.84% of 231 921 households with access to waterborne sanitation	71.37% of 231 921 households with access to waterborne sanitation	0.47%	Will be implemented in the new financial year as part of the comprehensive sanitation programme
		Number of additional households (RDP) provided with sewer connections	No. Of Households	500 households	3292	1800 additional households (RDP) provided with sewer connections	-1492	Will be implemented in the new financial year as part of the comprehensive VIP Eradication Programme

Table 3.4: EMPLOYEES: WATER AND SANITATION

Employees: Water &Sanitation					
Job Level	Year -1	Year 2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	14	23	20	3	13%
7 - 9	9	13	9	4	31%
10 - 12	26	36	26	10	28%
13 - 15	8	16	9	7	44%
16 - 18	93	254	188	66	26%
Total	151	343	253	90	26%

Table 3.5: FINANCIAL PERFORMANCE WATER SERVICES

Financial Performance: Water Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	610,174	668,129	700,743	692,279	8,464
Expenditure:					
Employees	49,302	56,108	56,108	66,490	- 10,382
Repairs and Maintenance	20,926	35,500	69,814	14,452	55,362
Other	447,837	614,585	548,480	538,229	10,251
Total Operational Expenditure	518,065	706,193	674,403	619,170	55,233
Net Operational Expenditure	(92,109)	38,064	(26,340)	(73,109)	46,769

Table 3.6: CAPITAL EXPENDITURE: WATER SERVICES

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Total All	158,388,347	199,223,636	180,577,383	18,646,253
Project A- Naval Hill Reservoir 35 ML	16,388,347	5,034,156	2,911,191	2,122,965
Project B- Naval Hill Reservoir 3.5 km supply and delivery	26,000,000	2,500,000	2,289,205	210,795
Project C- New 45 ML Longridge Supplyline 8.3 km	25,000,000	29,714,320	25,070,342	4,643,978
Project D –Upgrading of Maselspoort Pump Supply	18,000,000	38,171,053	36,686,962	1,484,091
Project E- Metering of un-metered sites	15,000,000	11,225,961	10,121,772	1,104,189

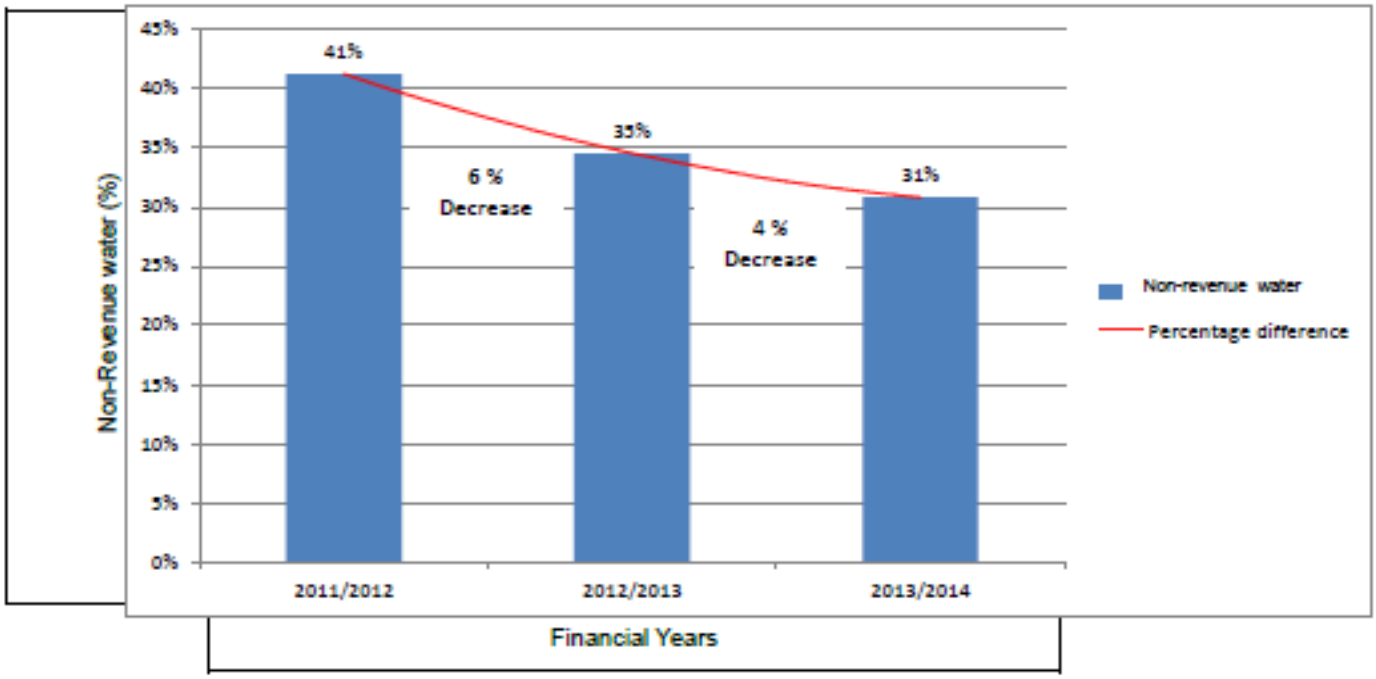
As indicated for the year under review the city has invested R199 million to provide bulk water and basic services to the citizens of the City. Critically the City continues to provide water service to a significant number of households. Furthermore, investment is made in bulk water services such as reservoirs and pipeline to support future development (*iro* seven land parcels) in the City and ensure reliable provision of water.

44.67 % (R89 million) of the mentioned investment was allocated towards the implementation of Water Demand Management Programme. This entailed installing water meters, metering of unmetered sites and implementing the real loss reduction programme (phase 2).

Furthermore, an additional investment of R58 million drawn from the OPEX was made to reconnect, test and remove meters, implement Top 50 consumer revenue enhancement, refurbish water supply at Thaba Nchu and replace water meters and fire hydrants

The net result was the reduction of Non-Revenue Water from **35%** in 2012/2013 to ***31%*** in 2013/2014 and this translated into a saving of R55.5 million in the past financial year. The figure below provides graphically the trends in relation to Non-Revenue Water in the City.

Figure 3.1 MANGAUNG CITY TRENDS IN RELATION TO NON-REVENUE WATER



3.2 WASTE WATER (SANITATION)

The municipality has ensured that additional 4, 383 additional have access to sanitation services for the period under review. Further the City has made significant investment R162 million for building of bulk sanitation infrastructure projects such as building new treatment works and expanding the capacity of existing treatment works to ensure the provision of sanitation services, the eradication of the Ventilated Improved Latrines (VIP) and supporting future development in the City.

The City according to the erstwhile Department of Water Affairs Green Drop Report for 2013 assessment period, has obtained a Green Drop Score of 78.82%.

Table 3.7: SANITATION DELIVERY LEVELS

SANITATION SERVICE DELIVERY LEVELS	2013/14	
	Households	Percentages
Sanitation/sewerage: (above min level)		
Flush toilet (connected to sewerage system)	140744	60.7
Flush toilet (with septic tank)	4435	1.9
Chemical toilet	936	0.4

SANITATION SERVICE DELIVERY LEVELS	2013/14	
	Households	Percentages
Minimum Service Level And Above sub-total	146115	63
Sanitation/sewerage: (below min level)		
Pit toilet with ventilation (VIP)	39609	17.1
Pit toilet without ventilation	29215	12.6
Bucket toilet	6641	2.9
None	8178	3.5
Other	2127	0.9
Below Minimum Service Level And Above sub-total	77579	37
Total	231870	100.0

Table 3.8: HOUSEHOLDS – SANITATION SERVICE LEVELS BELOW THE MINIMUM

	2013/14
Formal and informal residential	
Total households	231870
Households below minimum service levels	77579
Proportion of households below minimum service level	37%

Table 3.9: FINANCIAL PERFORMANCE SANITATION SERVICES

Financial Performance: Sanitation Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	147,969	213,496	215,993	273,969	- 57,976
Expenditure:					
Employees	54,221	48,466	48,466	61,716	- 13,250
Repairs and Maintenance	5,587	10,282	17,457	14,113	3,344
Other	89,861	126,937	124,334	50,016	74,318
Total Operational Expenditure	149,669	185,685	190,257	125,845	64,412
Net Operational Expenditure	1,700	(27,811)	(25,736)	(148,124)	122,388

Table 3.10: CAPITAL EXPENDITURE SANITATION SERVICES

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Total All	**157,565,265**	**182,794,615**	**169,179,276**	**13,615,339**
Project A-North Eastern WWTW (15ML/Day) and 1 8Km	70,480,000	108,180,000	100,340,218	7,839,782
Project B-Addition of 10ML to SterkWater WWTW	16,285,265	6,000,000	5,595,484	404,516

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Project E- Addition of Addition of 10ML to SterkWater WWTW	0	4,135,392	2,288,673	1,846,719

3.3 WASTE MANAGEMENT

The Solid Waste Management sub-directorate is responsible for the weekly door to door domestic refuse removal service either through the municipality or the Small Micro and Medium Enterprises (SMMES). 165 464 formal households had access to a weekly door to door refuse removal in the report period and 37 953 of these were serviced by the SMMEs. 23 130 informal settlement dwellings had access to refuse removal and 21 098 of these households received weekly door to door refuse removal. Business waste is also removed by the municipality according to the Businesses' requests. Public cleansing has improved due to the assistance of the 150 beneficiaries of the Expanded Public Works Programme's (EPWP) Food for Waste Programme that the municipality is participating in. Although illegal dumping has been a challenge the unit managed to reduce the backlog after receiving three TLBs and 6 tipper trucks specifically for this function. Twelve new compaction vehicles were also received in the year under review to improve the capacity of the unit's fleet. The organisational structure of the unit was also reviewed and increased to ensure that the objectives of the unit are met.

The municipality has initiated the process of the construction of a Transfer Station that has been partly funded by the Department of Environmental Affairs (DEA) in Thaba Nchu and the three buyback centres also funded by DEA (one in each of the three regions) which will be completed in the 2014/15 financial year. Three municipal owned landfill sites were also maintained with plant and equipment sheds constructed in each of the landfills to accommodate new additional machinery (3 landfill compactors, 3 landfill dozers and 3 Front End loaders) that was purchased by the municipality.

Table 3.11: SOLID WASTE SERVICE DELIVERY LEVELS

Solid Waste Service Delivery Levels	2013/14	
	Households	Percentages
Solid Waste Removal: (minimum level)		
Removed by local authority/private company at least once a week	183033	78.9
Minimum Service Level And Above sub-total	183033	78.9
Solid Waste Removal: (below minimum level)		
Removed by local authority/private company less often	5108	2.2
Communal refuse dump	5274	2.3
Own refuse dump	28382	12.2
No rubbish disposal	8101	3.5
Other	2023	0.9
Below Minimum Service Level And Above sub-total	48888	21.1
Total	231921	100.0

Table 3.12: HOUSEHOLDS – SOLID WASTE SERVICES DELIVERY LEVELS

Households-Solid Waste Services Delivery Levels below the minimum	2013/14
Formal residential	
Total households	189155
Households below minimum service levels	20329
Proportion of households below minimum service level	10.7%
Informal residential	
Total households	20267
Households below minimum service levels	14781
Proportion of households below minimum service level	72.9%

Table 3.13: WASTE MANAGEMENT SERVICES POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/2014	Variance	Corrective Action
Accelerate waste removal	Provide weekly door to door refuse removal in formal areas	Number of additional households (RDP) with access to refuse removal	Number of additional occupied households (RDP) have access to refuse removal	New KPI	All additional occupied households (RDP) have access to refuse removal	All additional occupied households (RDP) have access to refuse removal	None	none
	Provide households with weekly kerb-side waste removal services in formal areas	Households provided with weekly kerb-side waste removal services in formal areas	No. of households with weekly kerb-side waste removal services in formal areas	153 872	165 464 receive weekly kerb-side waste removal services in formal areas	165 464 households with weekly kerb-side waste removal services in formal areas	none	none
	Ensure that informal settlement dwellings with access to refuse removal	Informal settlement dwellings have access to refuse removal	No. of informal settlement dwellings with access to refuse removal	17 540 informal settlement dwellings with access to refuse removal	23 130 informal settlement dwellings with access to refuse removal	23 130 informal settlement dwellings with access to refuse removal	none	none
	Eradicate backlog of kerb-side refuse removal services to consumer units within 07 days	% reduction of kerb-side backlog of refuse removal to consumer unit within 14 days	% reduction of backlog	100% waste removal backlog eradicated in consumer units within days	100% waste removal backlog eradicated in consumer units within days	100% waste removal backlog eradicated in consumer units within 14 days	none	none

Table 3.14: EMPLOYEES: SOLID WASTE MANAGEMENT SERVICES

Employees: Solid Waste Management Services					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	5	6	5	1	17%
7 - 9	6	7	7	0	0%
10 - 12	24	49	25	24	49%
13 - 15	10	18	9	9	50%
16 - 18	128	185	120	65	35%
Total	174	266	167	99	37%

Table 3.15: FINANCIAL PERFOMANCE: SOLID WASTE MANAGEMENT SERVICE

Financial Performance: Solid Waste Management Services					
					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	146,422	190,712	207,160	214,964	- 7,804
Expenditure:					-
Employees	51,807	56,025	56,025	73,317	- 17,292
Repairs and Maintenance	3,975	9,679	5,046	18,602	- 13,556
Other	45,906	59,281	69,673	51,887	17,786
Total Operational Expenditure	101,688	124,985	130,744	143,806	- 13,062
Net Operational Expenditure	(44,734)	(65,727)	(76,416)	(71,158)	- 5,258

Table 3.16: CAPITAL EXPENDITURE: WASTE MANAGEMENT SERVICES

Capital projects	Year 2013/2014			
	Budget	Adjustment budget	Actual Expenditure	Variance from adjustment budget
Total all	13,550,000	10,880,580	10,759,145	121,435
Upgrading and construction of Northern Land	4,000,000	2,328,341	2,300,000	28,341
Upgrading and construction of Southern Land	5,550,000	2,265,920	2,172,826	93,094
Upgrading and rehabilitations of Botshabelo	2,250,000	1,145,740	1,145,740	0
Development of transfer station in Thaba Nchu	1,750,000	1,375,250	1,375,250	0
Upgrading and construction of Northern	0	1,274,556	1,274,556	0
Upgrading and rehabilitations of Botshabelo	0	1,157,222	1,157,222	0
Upgrading and construction ofSouthern	0	1,333,551	1,333,551	0

3.4 ROADS AND STORM WATER

Roads and Storm water infrastructure constitutes an integral part of the country's economy. Chapter 7 of the Constitution of the Republic of South Africa provides a directive to municipalities to provide services to the communities

in a sustainable manner. It is also imperative that those services are kept in satisfactory condition at all times. To this end, the Mangaung Metropolitan Municipality has heeded this call by ensuring that:

- 4.67 km of gravel roads upgraded to being paved/tarred
- 387 754 m² of roads resurfaced
- 4.67 km of storm water drainage is installed.
- 36 km of pedestrian walkways constructed.

Table 3.17: GRAVEL ROAD INFRASTRUCTURE

Gravel Road Infrastructure				
	Kilometres			
	Total gravel roads	**New gravel roads constructed**	**Gravel roads upgraded to tar**	**Gravel roads graded /maintained**
Year - 2010/2011	145	15	10	100
Year - 2011/2012	1 186	20	12	1 186
Year - 2012/2013	1 206	25	14	
Year - 2013/2014			4.67	

Table 3.18: TARRED ROADS INFRASTRUCTURE

Tarred Road Infrastructure					
	Kilometres				
	Total tarred roads	**New tar roads**	**Existing tar roads re-tarred**	**Existing tar roads re-sheeted**	**Tar roads maintained**
Year - 2010/2011	85	10	23	18	100
Year - 2011/2012	1 415		20	5	25
Year - 2012/2013	1 435		20		
Year - 2013/2014		4.67			

Storm water Infrastructure				
	Kilometres			
	Total storm water measures	**New storm-water measures**	**Storm-water measures upgraded**	**Storm-water measures upgraded**
Year - 2010/2011	145	15	10	100
Year - 2011/2012	160	20	12	120
Year - 2012/2013	166	25	14	140
Year - 2013/2014			4.67	

Table 3.19: ROADS AND STORM WATER SERVICE POLICY OBJECTIVES

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Address roads conditions and road backlogs	Upgrade gravel roads to a Paved surface road	Kilometres of gravel roads upgraded to being paved/tarred	Completion certificates for the paving/tarring of roads	11 km	11 km	4.67 km	-5.33 Km	Will be implemented in the next financial year through timeous procurement processes
	Resurfaced roads	Square metres (SQm) of roads resurfaced	Completion certificates for the resurfaced roads	140000 SQm	140000 SQm	387 754 SQm	+ 247754 SQm	none
	Install / refurbishment of storm-water drainage	Storm-water drainage installed	Completion certificates for the storm water drainage installed	11 km	30 km	4.67 km	-25.33km	Will be implemented in the next financial year through timeous procurement processes
	To ensure that all households on formal erven will have access to a properly drained Paved Surface road.	Number of stands with accesses to a properly drained Paved surface road.	Completion certificates for the paving/tarring of roads including the installation of storm water drainage	700 Stands	1,300 Stands	613 stands	-687 stands	Will be implemented in the next financial year through timeous procurement processes
		Kilometres of pedestrian walkways constructed	Completion certificates of Pedestrian walkways Constructed	0 km	10 km	36km	+26 km	none

Table 3.20: EMPLOYEES: ROAD AND STORM WATER SERVICES

Employees: Roads & Storm-water					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	6	13	11	2	15%
7 - 9	4	8	4	4	50%
10 - 12	6	7	6	1	14%
13 - 15	0	5	0	5	100%
16 - 18	11	14	10	4	29%
Total	28	48	32	16	33%

Table 3.21: FINANCIAL PERFOMANCE: ROAD AND STORM WATER SERVICE

Financial Performance: Road Services R'000					
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	1,098	1,204	1,204	–	1,204
Expenditure:					
Employees	53,654	51,003	51,003	56,798	- 5,795
Repairs and Maintenance	67,512	86,310	90,640	68,984	21,656
Other	179,455	173,621	173,691	340,342	- 166,651
Total Operational Expenditure	300,621	310,934	315,334	466,124	- 150,790
Net Operational Expenditure	299,523	309,730	314,130	466,124	- 151,994

Table 3.22: CAPITAL EXPENDITURE: ROADS AND STORM WATER SERVICE

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment Budget
Total All	112,413.273	160,167,182	154,587,048	5,580,134
Upgrading of streets and Storm-Water: Batho	6,111,909	4,165,733	4,149,959	15,774
Upgrading of Roads & Storm-Water TOORDAN	8,000,000	0	0	0
Airport link(contribution to Sanral)	4,715,000	0	0	0
Haldon/ van Schalkwyk intersection road improvements and traffic signal control	5,000,000	4,000,000	4,000,000	-
Resealing of streets	20,000,000	62,419,897	62,262,452	157,445

3.5 ELECTRICITY PROVISION

Messrs Centlec sustains a healthy financial position. The entity has instituted revenue protection strategies that included the following:

- Entering into settlement agreements with customers;
- Handing over overdue accounts to company's debt collectors;
- Replacing rotational meters with prepaid electricity meters;
- Successfully procurement and implementation of an in-house pre-paid electricity vending system;
- 100% analysis of debtors
- Obtained 23% of salaries budget as a % of operating budget

The City has succeeded in:

- Replacing 1800 meters and thus exceeded the set annual target of 1500 meters by 3000;
- Facilitating the electrification of 392 households at Selosesha;
- Ensuring that 99.9% of formalised households have access to electricity;
- Ensuring that 99.9% of new and upgrading customers are provided with electricity connections;
- 53 high mast installed against the set annual target of 26 high mast lights in informal settlement ;
- Ensuring that 94% of indigent households accesses Free Basic Electricity;
- The upgrading of 132/11 kV Shannon A Distribution and Meriting Distribution Centres are nearing completion at 90% and 95% completion rate respectively;

During the year under review, the Municipal entity completed the formulation of a business strategy which will culminate in the revision of the organisational structure. This is aimed at assisting the company in fulfilling its strategy, as well as facilitating the transfer and placement of the seconded staff from the parent municipality to the Municipal entity.
To address the issue of rising maintenance cost of the fleet, the Municipal entity has procured 57 new vehicles to replace the ageing fleet of vehicles. This will assist with the efficiency in which service delivery is addressed as well as cutting down on the cost of maintenance.

The Board of Directors established has been functioning for the year under review and retain full control of the municipal entity. Seven (7) meetings were held during this period. The Board of Directors has established the following committees that have assisted it in discharging their oversight and effective corporate governance during this period

Despite the reported performance the following challenges were encountered:

- The increasing operational costs that impacted on gross margins of Messrs Centlec;
- Worrying customer mix and profile as the industrial clients constituted a small percentage of the total number of customers;
- Backlog in capital expenditure and lack of refurbishment expenditure;
- Ageing infrastructure that compound the efforts of management of reducing distribution losses
- Electricity theft and bridging of meters has compounded the challenge of distribution losses.
- Increasing debt problems as customers are unable to settle their debt in the required period;
- Low revenue growth
- Above-inflation increase in bulk purchases
- Cable theft
- High unemployment

Table 3.23: ELETRICITY SERVICE DELIVERY LEVELS

ELECTRICITY SERVICE DELIVERY LEVELS	2013/14	
	Households	Percentages
Energy: (above minimum level)		

ELECTRICITY SERVICE DELIVERY LEVELS	2013/14	
	Households	Percentages
Electricity	195,545	99.9
Minimum Service Level And Above sub-total	195,545	99.9
Energy: (below minimum level)		
Other	36,376	0.1
Below Minimum Service Level And Above sub-total	36,376	0.1
Total	231,921	100.0

Table 3.24: HOUSEHOLDS – ELETRICITY SERVICE DELIVERY LEVELS BELOW THE MINIMUM

	2013/14
Formal residential	
Total households	195,545
Households below minimum service levels	36,376
Proportion of households below minimum service level	0.1%
Informal residential	
Total households	
Households below minimum service levels	
Proportion of households below minimum service level	

Table 3.25: TARIFF GROUPS

Tariff Group: 2013-2014 (Baseline)	Number of Consumers			
	MMM	Kopanong	Naledi	Mohokare
Inclining block Tariff	194,206	10,200	5,604	5,546
Flat Rate Business	1,229	431	192	225
Homeflex	51	7	-	-
Commflex	68	6	-	1
Bulk Residential 2	27	-	1	-
Bulk Residential 3	177	2	4	-
Elecflex 1	4	-	-	-
Elecflex 2	157	4	-	-
Elecflex 3	506	17	3	4
Departmental	2	-	-	-
Sports Stadiums on ToU	8	1	-	-
Total	196,435	10,668	5,804	5,776
%	90%	5%	2.5%	2.5%

Table 3.26: ELETRICITY SERVICE POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target	Actual Performance 2013/14	Variance	Corrective Action
Revenue Management at Centlec	To address billing system	140 000 prepaid meters in MMM are audited	Meters audited	140 000 prepaid meters to be visited during the audit	140 000 of the MMM prepaid meters visited and audited	55913 of the MMM prepaid meters visited and audited	-84087 of the MMM prepaid meters visited and audited	The project will be ramped up in the new financial year
		1000+ bulk customers are able to view their accurately captured consumption via the internet	customers able to view their accurately captured consumption via the internet	100% of meters consumption billed and published successfully every month	1000 successful upload and publishing of consumption information	850 bulk customers are able to view their accurately captured consumption via the internet	-150	The project will be concluded in the new financial year
	To address billing system	In-house vending system is implemented with minimal operating costs	Functional in-house systems	- Successful implementation - Minimal operating costs outside the vending contracts	- Implement in-house vending - Reach all customers with the new vending system	10% has been rolled	-90%	Process to finalize the roll out is on-going.
Reliable Electricity Supply	Provide reliable network	3000+ customers' meters in Bergman Square are replaced.	Meters installed	1500 initial target for replacement in Bergman Square	1500 meters replaced	1800 meters replaced	+300 meters replaced	none
Address electricity backlog	Provide access to basic electricity service	392 connections at Selosesha	Number of new households provided with electricity connections	New project to be implemented by Eskom	392 household connections	392 household connections	0	none
		3000 new household connections		2535 new households were connected	3000 new households	1500 new households connected	-1500 households	The project will be expedited in the new financial year
	Formal households with access to basic electricity	Number of formal households with access to basic electricity	Number of households with access to electricity	99,9%	99,9% of 195 741 formal households	99.9% of 195 741 formal households	none	none
	Reduction in unaccounted for	% of reduction in unaccounted for	kWh units loss reduction	2%	2%	0	-2%	Will be implemented in the new financial year

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target	Actual Performance 2013/14	Variance	Corrective Action
	electricity losses	electricity losses						
	Unplanned electricity interruptions (exceeding 24 hours)		No of interruptions	2%	2%	0	-2%	This will be attended in the new financial through implementation of efficiency controls of the entity
	Shifting of RDP house connections	Number of RDP households whose electricity connection shifted	1 593 RDP houses' electricity connections shifted	0 because of the uncompleted RDP houses	1593 RDP houses electricity connections shifted	398 RDP houses electricity connections shifted	-1195	Ensure adequate budgetary provision for the activity; Entering into MOU with provincial department of Human Settlement to determine who is responsible for this target
	Electricity Connectivity	Percentage of customers provided with electricity connections	All public requiring new and upgraded connections are provided with connections	99,9% of new and upgrading customers provided with electricity connections	99,9% of new and upgrading customers provided with electricity connections	99.9% of new and upgrading customers provided with electricity connections	none	none
		4039 households in proclaimed sites have access to electricity	New erven with access to electricity	Service 38 224 households that are below basic level of service	Service the remainder of households that are below basic level of service	25% and new upgrades Or 9556	-	-
To improve the reliability of the Network		Develop, finalize and implement an infrastructure development and maintenance plan.	Completed plan	N/A	Infrastructure Master Plan	Implementation of the infrastructure Master Plan	-	-
		Construct 132/11kV Block F distribution centre	Completion certificates for the project completed distribution centre	45% Civil works completed for the Substation and 55 % 132kv lines towers	70%Completed distribution Block F 132/11kV centre	95%	+25	-

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target	Actual Performance 2013/14	Variance	Corrective Action
				completed,				
		Number of high mast lights installed in informal settlements	No of lights	18	26	53high mast lights installed in informal settlements	+27 high mast lights installed in informal settlements	-
		Upgrade 132/11kV Shannon A Distribution Centre	Completed project	132/11kv transformer installed,75% civil works completed,	100%	90% completion rate	-10%	Remaining 10% to be completed in the new financial year
		Upgrade 132/11kV Meriting Distribution Centre	Completed project	132/11kv transformer installed,75% civil works completed,	100%	95%	-5%	Roll over funds and activities to next FY
		Implement Dig silent (Network Monitoring)	Completed project	HV and Lv Model Completed	100%	100% and project now is completed and fully operation	none	none
		Spend at least 90% Expenditure on Capital Budget.	Completed project	90%	100%	85%	-15%	Roll over unspent funds to next FY
To Strengthen the Strategic Operational Capacity of Centlec and the reliability of the network	Optimization of the network	Refurbishment work on the 11kV overhead networks in (km)	Completed project	Baseline 748 in (km)	710	277 (Km)	-433 (km)	Refurbishment to be expedited in the next FY
Capacity of Centlec and the reliability of the network		Refurbishment work on the 33 and 132kV overhead networks (km)	Complete annual programme	Baseline 440	440	200	-240	Refurbishment to be expedited in the next FY
Routine Maintenance Overhead Network		Maintain of Brittle O/H Connections	Complete annual programme	600	600	874	+274	-
Streetlight		Routine	Complete annual	12 000	12 000	5030	-6970	

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target	Actual Performance 2013/14	Variance	Corrective Action
Maintenance		Maintenance : Streetlights	programme					Maintenance programme to be expedited in the next FY
		Routine Maintenance of Decorative figures	Complete annual programme	Baseline 500	500	643	+143	None
MV Network	Optimization of the network	Routine inspection and maintenance on 33kV lines and 11kV lines (km)	Complete annual programme	Baseline 400	100	62	-38	Routine inspection and Maintenance programme to be expedited in the next FY
		Inspect, maintained and replaced TFR	Complete annual programme	Baseline 25	25	132	+107	None
LV Network		Routine maintenance of LV lines (km)	Complete annual programme	Baseline 500	500	250	-250	Routine Maintenance programme to be expedited in the next FY

Table 3.27: EMPLOYEES: ELETRICITY SERVICES

Employees: Centlec					
	Year -1	Year 2013/14			
Job Level	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	6	0	6	100%
4 - 6	45	85	42	43	51%
7 - 9	118	170	109	61	36%
10 - 12	79	106	78	28	26%
13 - 15	40	57	34	23	40%
16 - 18	182	260	167	93	36%
Total	467	684	430	254	37%

Table 3.28: FINANCIAL PERFORMANCE: ELECTRICITY SERVICES

Financial Performance: Electricity Services					R'000
	30/06/2013	30/06/2014			
Details	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	2,652,310	2,465,995	2,467,634	2,066,239	401,395
Expenditure:					
Employees	88,302	117,476	96,812	74,456	22,356
Repairs and Maintenance	39,923	89,147	91,661	63,444	28,217
Other	2,750,430	2,073,854	2,011,110	1,811,046	200,064
Total Operational Expenditure	2,878,655	2,280,477	2,199,583	1,948,946	250,637
Net Operational Expenditure	226,345	-185,518	-268,051	-117,293	- 150,758

Table 3.29: CAPITAL EXPENDITURE: ELETRICITY SERVICES

Capital projects	2013/14			
	Budget	Adjustment budget	Actual Expenditure	Variance from adjustment budget
Total all	60,000,000	52,631,580	31,383,501	21,248,079
ELECTRIFICATION CONNECTIONS DME	14,000,000	9,649,123	8,932,200	716,923
SHANNON A DC: 132KV/11KV DC	1,000,000	877,193	7,483,256	-6,606,063
BOTSHABELO: 132KV ESKOM CONNECTION & EXT	5,000,000	4,385,965	11,547,605	-7,161,640
VENDING BACK OFFICE	5,000,000	4,385,965	3,420,440	965,525

3.6 HOUSING

For the year under review, the City has succeeded in facilitating housing opportunities in partnership with the provincial department of Human Settlement. Importantly, the City has ensured that 197 households against a set target of 260 are allocated affordable rental housing units. The City is also progressing toward the following targets:

- 375 residential sites disputes resolved
- 4880 Title deeds issued and registered
- 4 informal settlement upgraded

Table 3.30: HOUSING

	Formal dwelling	Informal dwelling	Traditional dwelling	Other	Grand Total
Formal residential	172028	14132	1789	1206	189155
Informal residential	5732	13818	206	511	20267
Traditional residential	2885	225	887	61	4058
Farms	4851	353	48	92	5345
Parks and recreation	273	23	3	1	300
Collective living quarters	2912	56	10	16	2994
Industrial	421	192	1	13	627
Small holdings	2307	165	34	35	2542
Vacant	669	3778	56	26	4529
Commercial	2049	5	15	35	2104
Grand Total	**194127**	**32747**	**3054**	**1996**	**231921**

Table 3.31: HOUSING SERVICE POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Address housing backlog	Provide housing opportunities	Number of Subsidy applications submitted to Province (HS)	Subsidy applications submitted to Province (HS)	3 000	3 500	31 Subsidy applications submitted to Province (HS)	-3469	Expedite the subsidy application to Province in next FY
		Number of Residential sites disputes resolved.	Residential sites disputes resolved.	3 000	3 500	375 Residential sites disputes resolved.	-3125	Expedite the resolution of residential sites disputes in next FY
		Number of Title Deeds issued and/or registered	Title Deeds issued and/or registered	3 000	3 500	4880 Title Deeds issued and/or registered	+1380 Title Deeds issued and/or registered	-
		Number of Site permits issued	Site permits issued	3 000	3 500	1758 Site permits issued	-1742	Expedite the issuance of site permits in next FY
		Number of Residential sites allocated	Residential sites allocated	3 000	3 500	66 Residential sites allocated	-3434	Expedite the allocation of residential sites in next FY
	Incrementally upgrade informal settlements	Number of informal settlements upgraded	• Land acquisition finalised • Planning & surveying finalised • Township approved • Surveyor General Plan approved • Township Register opened Infrastructure	5	6	4 informal settlements upgraded	-2	Fast-track the upgrading of informal settlements in the new financial year

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
			installed • Number of housing units completed and/or registered • Number of socio-economic amenities completed					
Improve access to basic services	Households relocated from floodplains, servitudes and other undevelopable land	Number of households relocated from floodplains, servitudes and other undevelopable land	Number of relocation forms signed (Copies of Identity documents or equivalent proof attached)	50	60	0	60	Non-availability of readily available land for relocation.
	Accelerate accreditation to implement national housing programmes	Approved level 3 accreditation business plan	Levels 1 and 2 accreditation certificates issued	Level 1 metro accreditation	Metro assessment and accreditation for level 3	Level 3 accreditation Business plan submitted. Approval awaiting	None	None
Reverse the spatial effects of apartheid	Households allocated affordable rental/social housing units	Number of households allocated affordable rental/social housing units	Number of lease contracts signed	250	260	197 Households allocated affordable rental/social housing units	-63	Remaining households to be allocated affordable rental/ social housing units in the next FY
	Avail land for sustainable hum settlements	Number of land parcels availed to communities	Signed Agreement(Deed of Sale)	3 land parcels	1	1 Deed of Sale signed, 2 Bids Evaluated, 2 Bids Adjudicated, 1 Bid extension validity requested and 1 Bid advertised	None	None. See the annual target. Land Release is a regulated process

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Redress land ownership disparities	Acquire land to promote sustainable human settlements (public and private)	Number of land parcels acquired for the creation of a new city node	Signed Agreement(Deed of Sale)	2 land parcels	3 land parcels	0	3 land parcels	Funds re-allocated to other projects as there is enough land owned by the municipality
		Number of land parcels acquired for the development of human settlements	Signed agreement (Deed of Sale)	2	3	0	3 land parcels	Funds re-allocated to other projects as there is enough land owned by the municipality

Table 3.32: EMPLOYEES: HOUSING SERVICES

Employees: Human Settlements & Housing					
Job Level	Year -1	Year 2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	8	6	2	25%
4 - 6	25	51	33	18	35%
7 - 9	9	24	17	7	29%
10 - 12	18	26	20	6	23%
13 - 15	8	29	10	19	66%
16 - 18	13	38	19	19	50%
Total	75	176	105	71	40%

Table 3.33: FINANCIAL PERFOMANCE: HOUSING SERVICE

Financial Performance: Housing Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	14,565	175,611	175,611	5,926	169,685
Expenditure:					
Employees	38,497	54,214	54,214	49,545	4,669
Repairs and Maintenance	2,174	1,834	1,834	1,680	154
Other	23,908	38,231	41,231	34,772	6,459
Total Operational Expenditure	64,579	94,279	97,279	85,997	11,282
Net Operational Expenditure	50,014	(81,332)	(78,332)	80,071	- 158,403

Table 3.34: CAPITAL EXPENDITURE: HOUSING SERVICES

Capital Projects	Year 2013/14			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Total All	8,500,000	11,502,078	4,599,615	6,902,463
Thaba Nchu Station Site	-	370,493	370,157	336
Pro-Active Acquisition of Land	8,000,000	4,000,000	0	4,000,000
White City bulk infrastructure		3,070,585	2,571,046	499,539
Brandwag Electrical Substation	-	2,295,939	1,658,412	637,527

COMPONENT B: FREE BASIC SERVICES AND INDIGENT SUPPORT

The Mangaung Metropolitan Municipality has been supporting its indigent households in line with the municipality indigent policy. All residents in the database of the municipality in respect of the above have access to a basket of free basic services

Table 3.35: FREE BASIC SERVICES TO LOW INCOME HOUSEHOLD

Free basic Services to low income Household									
		Number of households : 39901							
		Households earning less than R1,100 per month							
		Free Basic Water		**Free Basic Sanitation**		**Free Basic Electricity**		**Free basic Refuse**	
2013/14	Total	access	%	access	%	access	%	access	%
	30400	20105	66.1%	20105	66.1%	20105	66.1%	20105	66.1%

Table 3.36: FREE BASIC SERVICE POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
To ensure access to free level of basic water	Provide consumer units provided with access to a free basic level of potable water, by means of an individual HH supply or in informal areas by means of a standpipe within 200m	Consumer units provided with access to a free basic level of potable water, by means of an individual HH supply or in informal areas by means of a standpipe within 200m	Number of consumer units provided with access to a free basic level of potable water, by means of an individual HH supply or in informal areas by means of a standpipe within 200m	All indigent households have access to free basic water supply (39 901 h/hs)	All indigent households have access to free basic water supply	All indigent households have access to free basic water supply	None	None
To ensure access to electricity	Roll out of Free Basic Electricity	Percentage of registered indigent households who have access to free basic electricity (FBE)	Number of households with access to free basic electricity	100% indigent households have access to FBE	100% indigent households have access to FBE	100% indigent households have access to FBE	None	None
Improved lives of the indigent households	Provision of social safety net for the indigent	Keep updated indigent register	Number of household provided with indigent services		All registered indigent households) provided with free basic services	Approved: 20105 Pending: 11701 Total of 30400 entries on the indigent register	None	None

COMPONENT C: PLANNING

The municipality has a fully-fledged planning unit that provides SMME support to small and medium and established business in the city. Key to the objectives of the City is Promotion of Economic opportunities in strategic locations for sustainable development, Establish Accountable and pro-active management of change in land use and to development patterns, To Enhance Regional Transport Efficiency, Grow Economy and Create Job Opportunities and Rural Development

INTRODUCTION TO PLANNING

As part of its strategies for economic development, the Planning Directorate of the City aims to formalise townships along the N8 and other strategic investment nodes in the metro.)

The City embarked on an extensive programme to improve public transportation system through the Integrated Public Transport Network (IPTN) process. Fundamental to the planning process is the Implementation of the Spatial Planning Land Use Management Act (Act 16 of 2013). Through this process the metro will establish a development tribunal to fast track land use applications.

3.7 PLANNING

The current city fabric is characterised by disjointed apartheid city spaces. It is also characterised by inefficient city structure that leads to expensive service levels. In order to overcome these challenges strategic decisions should be made. Key priorities should address the following:

- Densification of the city through infill planning and group housing schemes;
- Elimination of informal settlements and access to proper community services;
- Creation of liveable urban spaces;
- Integration of the city through the creation of economically viable urban transport corridors; and
- Creating economic and social opportunities for all the residents of the city to benefit (e.g. Economic nodes of Botshabelo and Thaba Nchu, Airport Node, *etc*).

Table 3.37: POLICY OBJECTIVES OF PLANNING TAKEN FROM THE IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Enhancement of Regional Transport Efficiency	Compile Integrated Public Transport Network(IPTN) Plan	Completed Integrated Public Transport Network implementation plan	Components of the IPTN Plan	None	Draft IPTN Plan completed	80% Draft Transportation Demand Plan Developed.	20%	Turnover Strategy
Promotion of Integrated Development	Review the Spatial Development Framework (SDF)	Reviewed SDF document	Approved reviewed SDF	SDF (2012/2013)	Reviewed SDF	100% completed SDF and approved by Council	None	-
Establishment of Account able and Pro Active Management of Change in Land use and Development patterns	Land Use planning applications fast tracked	Fast tracking of land use applications processed by council	No of days taken for tabling application to Planning Room	180 days	Applications to be tabled to planning room within 35 days of receipt	81% of all 42 applications processed within target of 35 days	19%	Processing of applications to be expedited in new FY; Establishment of development tribunal
	Management of the build environment	Approval of building plan within statutory Timeframes	< 500m = 30 days > 500 = 60 days	< 500m² = 30 days > 500m² = 60 days	< 500m² = 20 days > 500m² = 40 days	2416 building plans approved	None	None
	Control of Land Use transgressions	Fast tracking of punitive measures for land use transgressors	No of days taken to effect action from date of identification	None	30 days	855 notices were issued and 70 cases were referred to court	None	N/A
To Grow and Develop the Economy	Development of Effective strategies for sustainable economic growth, Job Creation and poverty alleviation Enhance the	To complete Sector Plans necessary to effect the economic growth objectives stated by the IDP	No. of Sector Plans developed and approved	Mangaung EDS LED Strategy Incentive & Investment Strategy CBD Master Plan Informal Trading Policy	Completion of Sector Strategies and Policies • Special Economic Zone • PPP Industrial Development Model • Industrialisation Strategy • Tourism Policy	Projects still to be implemented. Documentation has been Submitted to Adjudication Committee on 17 July 2014 for appointment of service provider.	-100%	Development of sector strategies and policies to be speeded up in the next FY

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	image of MMM as a prime investment and tourism destination				• Tourism Master Plan • Reviewed Incentive & Investment Policy 1. Youth &Women Empowerment Strategy 2. SMME 'Policy 3. Informal Trader Policy			
	Enhance tourists' experience	% increase in the number of tourists within the municipality	Number of tourists Frequency of flights Naval Hill Visitors Log Book;	• 120 000 visitors at Naval Hill in the prior year	5 % growth in number of tourists (126000 total visitors)	43691 growth in number of Tourism	-82309	Increase Tourists awareness initiates more tours to Naval Hill. Improved marketing. Develop activity programmes for Naval Hill.
	Enhance tourists' experience	Completed designs of the cable car for Naval Hill	Designs for the cable car	New indicator	Completed designs for the cable car	Design for the cable car completed and awaiting implementation on in 2014/15	None	None

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	Enhance tourists' experience	Development of Naval Hill	Completion certificates Performance of the hospitality industry	1.7 Bednights 36000 enquiries /yr 20 Tourist guides trained	Restaurant built 2 viewing point constructed pedestrian way upgraded parking area upgraded 1 Tourism Incubator developed 78	Restaurant 60% completed 2 viewpoint 80% completed Pedestrian Walkway completed 100% Parking area not upgraded 1 Tourism Incubator not developed	40% restaurant 20% View Point Parking area not upgraded 1 Tourism Incubator not developed	Implementation of Turnaround strategy to ensure that all set target are met in the new FY
	Effective SMME's development and support	Number of SMMEs established	Performance of GGP	None	5	Not Achieved	-5	The establishment of SMMEs will be expedited in the new FY

Table 3.38: EMPLOYEES: ECONOMIC DEVELOPMENT AND PLANNING SERVICES

Employees: Economic Development & Planning					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	12	16	12	4	25%
4 - 6	33	57	33	24	42%
7 - 9	13	23	10	13	57%
10 - 12	25	33	26	7	21%
13 - 15	5	11	3	8	73%
16 - 18	11	14	10	4	29%
Total	99	154	94	60	39%

Table 3.39: FINANCIAL PERFOMANCE: PLANNING

Financial Performance: Planning Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	4,579	5,425	5,425	5,661	- 236
Expenditure:					
Employees	25,072	53,526	53,526	44,682	8,844
Repairs and Maintenance	16	306	176	175	1
Other	4,939	11,395	13,142	17,865	- 4,723
Total Operational Expenditure	30,028	65,228	66,844	62,722	4,122
Net Operational Expenditure	25,449	59,803	61,419	57,061	4,358

Table 3.40: CAPITAL EXPENDITURE: PLANNING SERVICES

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Budget	Variance From Adjustment Budget
All	42,835,000	55,189,512	54,074,381	1,115,131
Township establishment future residential	0	93,168	90,926	2,242
Engineering design of 2 nodes	0	4,698,005	4,698,005	0
Services reticulation of MMM land within	42,835,000	41,185,000	41,031,639	153,361
Concept and detail design for Naval Hill PH2	0	5,443,524	5,155,309	288,215
Naval Hill the EDGE restaurant	0	2,942,976	2,613,363	329,613

COMMENT ON THE PERFORMANCE OF PLANNING OVERALL

The City has succeeded in doing the following to facilitate development:

- Prompt processing of the development application to fast-track the overall development in the City;

- Redevelopment of Naval Hill, Phase 2 – public viewing areas and parking area;
- Supported 397 SMMEs

3.8 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKETING)

The City has approved a Local Economic Development outlook with the purpose to investigate the options and opportunities available to broaden the local economic base of the Mangaung Metropolitan Municipality in order to promote the creation of employment opportunities and the resultant spin-offs throughout the local economy

It is important to understand that Mangaung hosts poverty-stricken communities that are currently experiencing high levels of unemployment. It is therefore imperative to take action by promoting value-adding activities in the secondary and tertiary sectors. An important developmental principle underlying economic development is the broadening of the local economic base. This includes the introduction of new activities to Mangaung (e.g. introducing new industrial activities), exploiting latent resources identified through beneficiation, and the consequent establishment of SMMEs.

The MMM Economic strategy proposes the following strategic outcomes

- Reduce unemployment and inequality
- Grow the economy
- Improve business confidence
- Improve access to opportunity

Three service delivery priorities include:

- Creating job opportunities
- Removing red tape
- Growing the labour absorptive economic sector such as manufacturing

Measures taken to improve performance

- Organisational readjustment (adding more staff to the establishment)
- Strengthening economic development partnerships
- Redirecting expenditure and requesting for much needed funding from the national fiscus

Table 3.41: ECONOMIC ACTIVITY BY SECTOR

Economic Activity by Sector			**R '000**
Sector	**Year 2010/11**	**Year 2011/12**	**Year 2012/13**
Agriculture, forestry and fishing	1.9	1.9	1.9
Mining and quarrying	1.0	1.0	1.0
Manufacturing	2.5	2.8	4.8
Wholesale and retail trade	17.2	17.2	17.2
Finance, property, *etc*.	23.0	23.0	23.0
Government, community and social services	38.6	38.3	36.3
Infrastructure services	1.7	1.7	1.7

Table 3.42: EMPLOYMENT BY ECONOMIC SECTOR

Economic Employment by Sector			
	Jobs		
Sector	**Year 2010/11** No.	**Year 2011/12** No.	**Year 2012/13** **No.**
Agriculture, forestry and fishing	3.6	2.6	1.6
Mining and quarrying	0.1	0.1	0.1
Manufacturing	6.9	6.9	7.9
Wholesale and retail trade	21.3	22.3	22.6
Finance, property, *etc*.	10.0	10.3	10.6
Government, community and social services	46.9	46.6	44.6
Infrastructure services	5.7	5.7	6.7

Employment numbers will continue to be relatively influenced by the modest growth in finance, manufacturing and government, community and social services sectors.

Table 3.43: JOB CREATION

Job creation through EPWP projects		
Details	**EPWP Projects** **No.**	**Jobs created through EPWP projects** **No.**
Year 2010/11	40	2,000
Year 2011/12	50	2,900
Year 2012/13	66	2,328
Year 2013/14		2,260

Table 3.44: LOCAL ECONOMIC DEVELOPMENT POLICY OBJECTIVES TAKEN FROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Spatial development and built environment	Develop the Airport Development Node (ADN)	Infrastructure service reticulation in phase 1 of ADN	Level of site reticulation Completion certificates	None	Complete excavation of road reserves and rehabilitation of quarry	70% of budget spent	-30%	Project stopped due to court order. Will be implemented in the new FY
	Enhance city entrance	Improved landscaping and beautification to city entrances	Completion certificates	None	Complete project	100% concept designs completed	None	-
	Develop MMM land	Number of designs compiled for MMM land	Completed designs	2	Brandkop& Cecelia Park	Concept designs 100% completed	None	-
	Compile street architectural facade for zones of renewal	Meters of Street architectural facades designed	designed architectural facades	None	200 meters of street architectural facades designed	Concept designs of 200m of street architectural facades completed	None	-
Establish of Corporate Geographic information	Effective Corporate Geographic information (GIS)	No of data sets being utilised for a Geographic information system (GIS)	Maps	None	4 datasets	Informal Traders location in three Regions: Botshabelo; Thaba Nchu; and Bloemfontein. Surveyors were appointed to survey Bloemfontein Remainder of 654 Farm. 17 Sites were surveyed and pegged amounting to approximately 1182.96 hectare GIS applications compiled and distributed - currently 40 users have access to Spatial Information	none	

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Grow Economy and create job opportunities	Support SMME development through MMM programmes	Number of SMME's supported	Performance of GGP	500	550	397 SMME's supported	-153 SMME's supported	Support of remaining SMMEs to be expedited in the new FY
	Develop a Marketing and investment strategy	Effective Marketing of MMM	Participation in Marketing forums Marketing brochures, exhibitions developed	• Tourism Indaba • SAPOA • Sports Events & Tourism Exhibition • AERO Cities Exhibition Conference • SAITEX • Print & Motion Advertisement • MACUFE • Bloemshow Mayor's Business Breakfast	Maximum participation in marketing forums	8 Events Attended	One flyer, brochure and tourist map design outstanding, as well as printing of all the designed material.	Fast-tracking of product delivery. Turnaround time is too long for brochure production. SAPOA and BloemShow falls in Q4, and reporting will be done in Q1 of the new financial year.
Rural development	Food security and poverty alleviation	Number of gardens established	Completion certificates	None	5	3 Gardens established	-2 Gardens established	Budgeted for in next financial year
		Number of broilers established	Support documentation	None	10	0	-10	Budgeted for next financial year
		Number of egg layers established	Support documentation	None	5	0	-5	Will be expedited in the new FY
		No of piggeries established	Support documentation	None	3	1	-2	Budgeted for next financial year
	Building and repairs of facilities	Number of Kraals and Drinking Facilities upgraded and built	Support documentation Completion certificates	0	10	0	-10	Will be implemented in the new FY
	Skills development	No of programmes aimed at skills development and transfer rolled out	**Close out report**	10	10	4	-6	None
	Develop bylaws	Developed	Municipal Code	0	Final draft of a	Draft By-law for	Final draft of a	Section 80 approved

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		municipal by laws for pounds and commonages			municipal by law for pounds	pounds consultation regarding the proposed by law	municipal by law for pounds	these By Laws had go to MAYCO and Council respectively
					Final draft of a municipal by law for commonages	Draft By-law for commonages consultation regarding the proposed by law	Final draft of a municipal by law for commonages	Section 80 approved these By Laws had go to MAYCO and Council respectively
	Establishment of a Pound	Pound constructed and managed by SLA	Completion certificates	0	1 completed municipal pound	0	-1	Will be implemented in the new FY
	Co-operatives and small enterprise support	No of registered and supported cooperatives	Registration documents Support documentation for the cooperatives	30	30	449	+419	None

Table 3.45: FINANCIAL PERFORMANCE: LOCAL ECONOMIC DEVELOPMENT SERVICES

Financial Performance: Local Economic Development Services					R'000
	30/06/2013	30/06/2014			
Details	**Actual**	**Original Budget**	**Adjustment Budget**	**Actual**	**Variance to Adjustment Budget**
Total Operational Revenue	194	486	486	181	305
Expenditure:					
Employees	9,297	11,641	11,641	12,212	- 571
Repairs and Maintenance	1	156	66	1	65
Other	7,389	17,296	19,625	19,803	- 178
Total Operational Expenditure	16,687	29,093	31,332	32,016	- 684
Net Operational Expenditure	16,493	28,607	30,846	31,835	- 989

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL

The City has attained its set target of planning and designing the Botshabelo Node and has made significant strides in planning and designing Airport Development Node. The City succeeded in creating 2260 jobs though Expanded Public Works Programme (EPWP) and registered 449 co-operatives for the year under review.

The City has not met its set measurable performance targets in relation to supporting Small Medium Micro Enterprises (SMMEs), ensuring that jobs are created by investment both direct and induced, formal, informal and self-employed, initiating small scale agricultural enterprises, upgrading irrigation schemes and initiating household food security programme

COMPONENT D: COMMUNITY AND SOCIAL DEVELOPMENT

3.9 LIBRARIES, ARCHIVES, COMMUNITY FACILITIES; OTHER THEATRES, ZOO

The municipality in cooperation with the provincial department to Sport, Arts and Culture renders library, arts and culture service to the community, service priorities in this unit are:

1. To promote culture of reading and learning
2. Free access of information resources e.g. book, internet and periodicals
3. Promote arts and cultural programmes

The library service is rendered from nine (9) libraries which include areas like Bloemfontein, Botshabelo and Selosesha. The Thaba Nchu area is serviced by the provincial department. The municipality also reaches artists, drama students, theatrical play groups and *etc*. by having the only Drama Library in South Africa. A strong drive in Library campaigns and Outreach programmes were sustained during the year reaching more participants. A dialogue on initiation schools was held whereby all role players participated to ensure the safe and healthy hosting of initiation schools. The success was overwhelming because during the initiation (summer and winter) periods the number of illegal schools dropped drastically, while most of the schools complied with the legal requirements as contained in the Free State Initiation Schools Act. The arts, heritage and culture issues were given more attention, and it led to a close corporation with PHRASA and South African Heritage Resource Agency (SAHRA). Three local sites were identified for listing (Ereskuld NG Kerk, Sediba Lutheran church and the Archbell's house) but of much more significance is the possible declaration of three national heritage sites (Dr Moroka's grave, Mr Maphikela's grave and the Waaihoek Wesleyan church)

The municipality zoo has the following functions:

- Conservation;
- Recreation;
- Education;
- Research.

The Zoo is primarily responsible for providing for the animals within the collection in the Zoo, and to exhibit the animals in as natural surroundings as is possible, taking into account the minimum norms and standards as set out in various legislation (e.g.: Animals Protection Act, Code for Zoo's and Aquariums (SANBS 10379), *etc*).

Table 3.46: LIBRARIES; ARCHIVES; COMMUNITY FACILITIES; OTHER

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Improve service delivery by providing recreation facilities and public amenities to all residents of Mangaung	Relocation of the Zoo to Kwaggafontein Game farm	Zoo to be rebuilt at Kwaggafontein game farm	Master plan completed	Final report on the feasibility study completed	Rebuilding Zoo master plan completed	Development of the master Plan	The finalisation of the Master Plan took longer	The Master plan has been finalised and is awaiting approval by Council.
Promote literacy in communities	Provide easy access to reading and information service to promote a culture of reading and learning	New library material per annum acquired	Number of new adult books acquired	500 new children`s books acquired	500 new children`s books acquired	2110 New Books	+1610	None
			Number of new non-fiction books acquired per annum	1500 new non- fiction books acquired	1500 new non- fiction books acquired	3289 New Fiction books	+1789	None
			Number of new adult fiction books acquired per annum	500 new adult books acquired	500 new adult books acquired	4050 Adult Books	+3550	None
		Marketing of Library Services	Number of library awareness campaigns conducted	50 library campaigns conducted per annum	50 library campaigns conducted per annum	65 Library campaigns	+15	None
		Library outreach programmes to communities	Number of outreach (interactive) programmes conducted	150 outreach programmes conducted	150 outreach programmes conducted	817 Outreach programmes conducted	+667 Outreach programmes conducted	None

Table 3.47: EMPLOYEES: LIBRARIES; ARCHIVES; COMMUNITY FACILITIES; OTHER

Employees: Libraries					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	11	20	11	9	45%
10 - 12	12	13	13	0	0%
13 - 15	5	12	8	4	33%
16 - 18	2	2	2	0	0%
Total	34	51	38	13	25%

Table 3.48: FINANCIAL PERFORMANCE: LIBRARIES; ARCHIVES; COMMUNITY FACILITIES; OTHER

Financial Performance: Libraries; Archives; Museums; Galleries; Community Facilities; Other					R'000
Details	Year -1	Year 2013/14			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	132	252	252	148	104
Expenditure:					
Employees	13,875	18,917	18,917	15,319	3,598
Repairs and Maintenance	–	44	97	1	96
Other	1,430	2,538	2,389	1,410	979
Total Operational Expenditure	15,305	21,498	21,403	16,730	4,673
Net Operational Expenditure	15,173	21,246	21,151	16,582	4,569

Table 3.49: CAPITAL EXPENDITURE: NATURE RESOURCE MANAGEMENT – ZOO

Capital Projects	Year 2013/2014			
	Budget	Adjustment Budget	Actual Expenditure	Variance From Adjustment Budget
Feasibility Study into Zoo Relocation	17,484,000	5,075,000	4,691,264	383,736

COMMENT ON THE PERFORMANCE OF LIBRARIES, ARCHIVES, MUSEUMS, GALLERIES, COMMUNITY FACILITIES, OTHER (THEATRES, ZOOS, ETC) OVERALL

The City is doing very well in meeting all its set targets in relation to the promotion of literacy in communities through ensuring access to new library materials, marketing of the library services and implementing library outreach programmes to communities.

Importantly, the City has completed a feasibility study into the relocation of the Zoo.

3.10 CEMETERIES AND CREMATORIUMS

The main objective of the cemeteries and crematoria division is to provide sustainable, innovative, affordable cemetery services informed by national guidelines and policies as well as by MMM by- laws and other applicable laws. The primary objective is to provide graves and crematoria in accordance with the cultural requirements of all residents of MMM: The core functions of the division are:

- Provision and allocation of graves for interment purposes
- Safe keeping of cemetery registers
- Maintenance of cemeteries
- Provision of land for future burials

MMM have a total of 18 cemeteries, 12 in Bloemfontein, 3 in Botshabelo and 3 in Thaba Nchu. In Thaba Nchu there are also 45 rural cemeteries that are still under the authority of tribal authorities. There is also one crematorium situated in Bloemfontein which actually caters for the whole of the Free State Province. This facility is outsourced. In the 2013/14 financial year there were 4 341 burials and 1,699 cremations

Table 3.50: EMPLOYEES: CEMETERIES AND CREMATORIUMS

Employees: Parks and Cemeteries					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	6	8	6	2	25%
7 - 9	9	12	9	3	25%
10 - 12	11	12	11	1	8%
13 - 15	38	50	39	11	22%
16 - 18	74	128	52	76	59%
Total	139	211	118	93	44%

Table 3.51: FINANCIAL PERFORMANCE: CEMETERIES AND CREMATORIUMS

Financial Performance: Cemeteries and Crematoriums					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	2,195	2,336	2,336	2,109	227
Expenditure:					
Employees	5,842	6,527	6,527	5,818	709
Repairs and Maintenance	1,270	1,069	1,616	1,270	346
Other	7,158	10,072	8,839	5,855	2,984
Total Operational Expenditure	14,269	17,668	16,982	12,942	4,040
Net Operational Expenditure	12,074	15,332	14,646	10,833	3,813

3.11 CHILD CARE, CARE OF THE AGED, SOCIAL PROGRAMMES

The municipality identified its social responsibility to implement and ensure measure to comply with the provision of the Children's Act, 38 of 2005 and the Older Persons Act 13 of 2006, hence the programmes to address our service priorities were developed and implemented. Four priorities in this regard are:

1. Compile a database of ECD centres in the city
2. Work towards reducing a number of crèches not complying with by- laws to zero
3. Invest on training for practitioners catering for children with special needs to promote inclusivity in the ECD centres
4. Ensure elderly shelters are properly regulated and well governed

During the year of reporting after implementing the relevant service delivery programme (i.*e. inspection and certification of centres, training of practitioners and developing of databases*) we ensured healthy and safety environments for children and the aged, as well as higher compliance rate to relevant legislation. Due to unemployment more ECD's are established by women to at least make a living; hence we also engaged them in training and supporting them.

Places for the Elderly forms part of the Health surveillance inspection programme of the City to ensure healthy environments for the Aged. The city started with a health screening programme for the elderly people in cooperation with the medical faculty of the University of Free State to enable us to have a health status of them and thus refer them to Primary Health Care services. Furthermore, recreational programmes were implemented to ensure healthy lifestyles for the elderly (i.e. Golden Games, Sport event for the Elderly)

Table 3.52: SERVICE DELIVERY OBJECTIVES IN THE IDP FOR CHILD CARE

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Improve services to ameliorate the plight of vulnerable groups such as street children, people with disability, the elderly	Wellness programmes for the aged including bio kinetics, healthy life style *etc*.	Developed and implement wellness programmes for the elderly	Number of programmes developed and implemented	2 outreach Programmes targeting the aged	4 outreach Programmes targeting the aged	2 Outreach programme outreach Programmes targeting the aged	-2 Outreach programme outreach Programmes targeting the aged	More outreach programme to be implemented in the new FY
	Ensure elderly shelters are properly regulated and well governed	Inspection of elderly shelters	Number of inspections conducted	Identify shelters and develop programme for visits and conduct visit	18 inspections conducted on the elderly shelters	15 Inspections	-3	Will implement inspection programme in new financial
	Support organisations dealing with disabled persons	Number of organisations supported	Identify organizations dealing with disabled persons and their needs	Determine and address needs of people with disabilities through their various organizations	Work with people with disability to address their needs	Database compiled 5 Registered Centres identified for support, Hosted Disability Sport Festival	Positive variance	None
	Assist Orphans to access social services	Update database of child headed households within the municipality	Number of new children added to database	Compile database	Update database and ensure sustainability	20 New child Headed Households added and 48 CHHs supported	None	None required
		Support orphans, CHHs	Number of orphans, CHHs supported	40 children supported	40 children supported	**150 children supported** (109 Orphans, 1 Street child admitted to Eden International Place of safety 40 Street Kids for a two weeks Camp) **= 1 family** in Thaba Nchu (shack burnt down),	Positive variance	None

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
						= 12 blankets distributed		
		Support street children	Number of street children supported	40 children supported	5 children with families	1 street child supported	4 children with families	Expedite the implementation of programme to support children with families
Empowerment of civic groups to improve good citizenship	Facilitate and support the development of poverty alleviation projects	Facilitate and support poverty alleviation projects	Number of poverty alleviation projects	Establish and sustain Clothing Bank	2 Projects supported and ensure sustainability	5 projects were monitored and evaluated	Positive variance	-
Promote Early Childhood development (ECD)	Update ECD database	ECD Database updated	Number of registrants added or removed	On-going updating of database and ensuring that unregistered ECDs are minimised	100%updating of database and ensuring that unregistered ECDs are minimised	100% updated (737 ECD's on updated database)	-	-
	Conduct inspections on ECD premises	Sustain inspection programme of ECDs.	Number of ECD premise inspections conducted	100 inspections conducted	100 inspections conducted	228 Inspections conducted	+ 128 positive variance	None

Table 3.53: EMPLOYEES: CHILD CARE; CARE OF THE AGED; SOCIAL PROGRAMMES

	2013/14			
Job Level	**Posts**	**Employees**	**Vacancies (fulltime equivalents)**	**Vacancies (as a % of total posts)**
	No.	**No.**	**No.**	**%**
0 – 3	0	0	0	0
4 – 6	3	2	1	33%
7 – 9	0	0	0	0
10 – 12	2	0	2	100%
13 – 15	1	0	1	100%
16 – 18	0	0	0	0
Total	6	2	4	67%

COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL

The City has succeeded in achieving the following milestones for the year under review:

- Conducted inspections on the elderly shelters;
- Supported 150 children;
- Conducted inspection of 228 Early Childhood Development Centres

3.12 BIO DIVERSITY AND LANDSCAPE – PARKS

The main objective of the parks division is to provide a clean, green and healthy environment to the residents of Mangaung. It is responsible for the horticultural maintenance and development of open spaces, parks, traffic islands, buffer zones, sports fields, street trees, city gardens and fire belts
The core functions of the unit are:

- Greening the city- entrances, parks, planting trees
- Maintenance of existing parks
- Maintenance of sports fields
- Development of new parks
- Cemeteries beautification

The main objective of natural resource management is to conserve the natural resources of MMM which consist of 28, 000 hectares, responsible to the development and maintenance of Naval Hill as a tourist attraction for local and international visitors

The core functions of the unit are:

- Management of natural open spaces
- Naval Hill nature reserve development
- Eradication of alien plants
- Protection of top –soil/ erosion control
- Management of wild animals in Naval Hill Nature Reserve

Table 3.54: SERVICE DELIVERY OBJECTIVES OF BIO DIVERSITY; LANDSCAPE AND PARKS

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Improve service delivery by providing recreation facilities and public amenities to all residents of Mangaung	Clean and green environment in Mangaung Metro	Number of trees planted	Number of trees planted	776 trees planted	500 Trees planted	413 trees planted	-87	Remaining trees to be planted in the new FY
		Number of recreational parks developed	1 parks	Site identification, concept and design and development of recreational park in Bloemfontein; park development master plan	50% construction of phase 1	New park in Botshabelo (B section) A Contractor has been appointed for the development of the Park New park in Bloemfontein (Kagisanong) Phase 1 implementation	-	-
		A Regional Park in Thaba'Nchu	1 Park	Draft Master plan	Finalised master plan for the regional park 100% Upgraded soccer field as per master plan	Thaba Nchu Regional Park Phase 1 implementation	-	-

Table 3.55: CAPITAL EXPENDITURE: BIO-DIVERSITY; LANDSCAPE AND PARKS

Capital Projects	Year 2013/14			
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget
Upgrading/Development Parks Bloemfontein	2,000,000	2,000,000	1,394,179	605,821
Upgrading/Development Parks Botshabelo	1,500,000	2,900,000	0	2,900,000
Upgrading/Development Parks Thaba Nchu	1,500,000	0	0	0
Nelson Mandela Statue Site Preparations	0	1,000,000	0	1,000,000

Table 3.56: FINANCIAL PERFORMANCE BIO DIVERSITY; LANDSCAPE AND PARKS

Operational Budget	Year 2013/14			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue,	102,940	92,940	64,467	28,473
Expenditure:				
Employees	27,940,440	28,752,746	29,637,865	-885,119
Repairs and Maintenance	1,879,624	1,889,624	1,466,398	423,226
Other	20,658,804	24,094,556	14,239,419	9,855,137
Total Operational Expenditure	50,478,868	54,736,926	45,343,682	9,393,244
Net Operational Expenditure	50,375,928	54,643,986	45,279,215	9,364,771

C**OMMENT ON THE PERFORMANCE BIO DIVERSITY AND LANDSCAPE AND PARKS**

The City has planted 413 trees in the period under review. A regional park and parks at Bloemfontein and Botshabelo were constructed.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.13 POLLUTION CONTROL

Pollution control initiatives within the municipality are implemented and managed by an integrated approach (waste management, environmental management, environmental health, parks, *etc*). With regards to the 2 indicators listed we can report that water quality and air pollution programmes are in place. Environmental health practitioners take water samples on a daily basis from the 2 main reservoirs (*Brandkop and Maselspoort*) and on a monthly basis at household points evenly spread amongst all suburbs, our current compliance status is well within the parameters of SANS 241.

We also monitor the quality of air by means of three (3) air quality stations, with the main focus on sulphur dioxide emissions. We can safely report that no incidences in this regard were recorded during this reporting period.

Table 3.57: SERVICE DELIVERY OBJECTIVES FOR POLLUTION CONTROL

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Promote a clean environment	Organize clean-up campaigns.	Number of clean-ups undertaken	Number of clean-ups	7 clean-ups undertaken	4 clean-ups undertaken	8 clean up campaigns	+4	-
	Compliance with national hygienic standards and environmental laws	Maintenance and Rehabilitation of landfill sites and public amenities	Number of landfill sites maintained	maintenance and Rehabilitation of landfill sites and public amenities	maintenance and Rehabilitation of landfill sites and public amenities	Three land fill sites were maintained No rehabilitation of land fill site was done	Rehabilitation of land fill site	Rehabilitate land fill site in new FY
Environmental management and sustainability	Environmental Implementation & Management Plan (EIMP)	Compiled Environmental Implementation & Management Plan (EIMP)	Complete Environmental Implementation & Management Plan (EIMP)	None	Environmental Implementation & Management Plan (EIMP)	Not achieved		
	Promote sustainable environment	Compliance to integrated waste management policy	Compliance reports on integrated waste management	Rehabilitation of Landfill sites	Construction of a transfer station and closure of landfill in Thaba'Nchu Formal registration of landfill users	Contractor appointed for the close of Thaba Land Fill site and development of a Transfer station Not achieved	Construction of a transfer station and closure of landfill in Thaba'Nchu Formal registration of landfill users	Will accelerate implementation of the project in the new FY
Ensure management of landfill sites complies with legislation	Ensuring audits are performed (internal and external)	Number of audits performed.	Number of audits undertaken	1 external audit (2010) 0 internal	1 External audit and1internal	Not achieved		
Ensure a waste management literate community in Mangaung Metro	Conduct education and awareness sessions on waste management issues to the	Number of community education and awareness sessions conducted	Number of community education and awareness sessions conducted	4 community education and awareness sessions conducted	4 community education and awareness sessions conducted	34 education and awareness sessions undertaken	+30 education and awareness sessions undertaken	-

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Municipality	community.							
Promote environmental health	Inspect medical waste generators	Conduct inspection on medical waste generators' premises as per the provisions of the NEMA	Number of medical waste generator premises inspected	110 medical waste generator premises inspected	All 110 existing medical waste generator premises inspected	325 Inspections	-	-
Promote environmental health	Manage Air Quality	Respond to all non-compliance of Sulphur Dioxide emissions therefore ensure Air Quality control	Time taken to respond to non-compliance of Sulphur Dioxide emissions	All non-compliance attended too within 2 days	All non-compliance attended too within 2 days	No Non compliances	-	-
		Processing of All Emission Licence applications submitted	Number of Air Emission Licence (AEL) applications handled	New KPI	All AEL applications handled	4 AEL Applications handled	-	-
		Maintenance of Air Quality Monitoring Stations	Maintenance documentation e.g. invoices completion certificates etc. Air Quality Monitoring Stations	New KPI	Maintenance of three Air quality stations	Instruments serviced, and installed. To be calibrated during the week of 7-11 July 2014	none	None required
		Compilation of a database of all companies affecting air quality	Complete Air emissions Inventory	New KPI	Complete an Air Emission database	Provincial department appointed service provider. Service provider in process of compiling inventory	Complete an Air Emission database	Expedite the compilation of Air Emission database
	Handling Environmental pollution complaints	Attend to all Environmental Pollution complaints reported to the	Number of environmental pollution related complaints handled within	Environmental pollution related complaints handled within 48 hours	Environmental pollution related complaints handled within 48hrs	All 156 complaints handled	none	None required

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		municipality	48hrs					
	Provide Health Education	Conduct health and hygiene (H&H) awareness programmes	Number of H&H awareness programmes conducted	10 H&H programmes conducted	10 H&H programmes conducted	8 H&H programmes conducted	-2 H&H programmes	Remaining H&H programmes to be conducted in new FY

Table 3.58: EMPLOYEES: POLLUTION CONTROL

Job Level	Year -1	Year 2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	5	2	3	60%
7 - 9	15	21	17	4	19%
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
Total	19	27	20	7	26%

COMMENTS ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL

The City has succeeded in organising cleaning and greening campaigns to raise community awareness and elicited reciprocal civic duty in relation to communities partnering with the municipality in ensuring that the environment is safe and liveable. Three land fill sites were maintained, 325 inspections conducted at existing medical waste generator premises and environmental pollution complaints handled within 48 hours. The city has carried out prompt air quality control measures that resulted in no excess emissions reported.

The City has not succeeded in achieving its set target for the development of an Environmental Implementation Management Plan, conducting external and internal audit on landfill sites and ensuring that a draft feasibility study for waste energy project in the land fill site is approved by Council.

COMPONENT F: HEALTH

3.14 HEALTH INSPECTION, FOOD AND ABBATTOIR

The function of provision of environmental health services within the municipality includes all activities associated with the provision of municipal health services in terms of the National Health Act (no 61 of 2003) but does not take into account of poor health services which reside within the jurisdiction of FS provincial government. Service delivery provision here includes:

1. To ensure consumer protection (*food safety programme, water safety programme*) in accordance with food stuffs (*cosmetic and disinfectants Act no 54 of 1972 and SANS 241 for water quality*)
2. To render a microbiological laboratory service for the analysis of water and food stuffs as per legislative requirements (water services act and food stuff act)
3. To fulfil the functions of the local trading licence authority by enforcing the Business act no 71 of 1991.
4. To render a pest and vector control and disinfestations service
5. To ensure the prevention of environmental health pollution by means of surveillance of premises (built environment)
6. The Disposal of dead (inspections of mortuaries and burial of unidentified bodies)

Both the food and water safety programmes were successfully sustained and thus ensured sustainable health and well-being of citizens.

With reference to food premises specific focus was placed on the registration of milk parlours (dairy farms) all of which they are now fully registered and compliant in terms of legislation. All food premises are inspected and monitored according to our food inspection programme and this yields success in health, hygiene and cleanliness. Our biggest challenge is the mushrooming of tuck shops in residential areas owned by foreigners and mostly illegal which do not comply with health standards. Haphazard operations and investigations did not yield the expected outcome but a multi-

sector compliance and monitoring team which includes SAPS and Home Affairs was established to combat non-compliance

Table 3.59: SERVICE DELIVERY OBJECTIVES FOR HEALTH INSPECTION, FOOD AND ABBATTOIR

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	compliance with drinking water quality standards	A)Regular Monitoring of drinking water	Percentage of Samples taken at strategic points in the City.	Regular monitoring and samples taken at strategic points of the City	100% Regular monitoring and samples taken at strategic points of the City	100% monitoring of samples is being done monthly	none	none
		Upgrading of the water pumps at Maselspoort	Completion certificate for the installation of water pumps at Maselspoort	Installation of the low and high lift water Pumps in Maselspoort	100% installation of the low and high lift water Pumps in Maselspoort	81% installation of the low and high lift water Pumps in Maselspoort	-19%	Variance will be attended to be by the professional team in the next financial year
		b) Attainment of Blue Drop certificate	Blue Drop Certification above 95%	Blue Drop certificate not attained	Attainment of the Blue Drop Certificate	63.53% performance assessment obtained	-31.47%	Implement projects related to attaining Blue Drop Certificate in the new FY
		c)refurbishment of the sedimentation tanks in Maselspoort	Percentage of sedimentation tanks refurbished	refurbishment of the sedimentation tanks in Maselspoort	100% refurbishment of the sedimentation tanks in Maselspoort	100% refurbishment of the sedimentation tanks in Maselspoort	None	N/A
	Decline in unplanned water interruptions (exceeding 24 hours)	% of unplanned water interruptions (exceeding 24 hours)	Number of Unplanned water interruptions	50%	45%	50%	+5	More focus will be given to all old pipes in the City through the refurbishment program
Ensure compliance with Initiation Schools policy	Ensure compliance with Initiation Schools policy	Inspection of known Initiation Schools, to ensure compliance with the Initiation Schools Public Policy	Number of known Initiation Schools inspected	All schools inspected	All known schools inspected	109 Schools	none	-
Promote environmental health	Ensuring health related compliance of buildings	Inspection of all building plans for health related compliance	Number of Building plans received to be scrutinized for health compliance within 3 working	All Building plans received to be scrutinized for health compliance	All Building plans received to be scrutinized for health compliance	All 2534 Building plans received to be scrutinized for health compliance	none	-

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
			days					
	Conduct drinking and recreational water sampling according SANS to 241	Conduct monitoring of drinking water according SANS to 241	Number of drinking water samples taken	1700 drinking water samples	1700 drinking water samples	1306 drinking water samples	-394	Posts already advertised, to be filled in new financial year.
		Conduct monitoring of recreational water according SANS to 241	Number of recreational water sampling taken	60 recreational water samples	60 recreational water samples	80 recreational water samples	+20	-
	Surveillance of diseases	Attend to reported communicable diseases	Attend to all communicable diseases reported	All communicable diseases reported attended to	All communicable diseases reported attended to	8 communicable diseases reported attended to	none	none
		Investigate all Zoönotic diseases cases reported to the Municipality	Number of zoönotic diseases reported investigated	All cases reported investigated	All cases reported investigated	No zoonotic	None	None
	Conduct food sampling	Take samples annually in accordance with the Foodstuffs, Cosmetics and Disinfectants Act 54 1972	Number of food samples taken in accordance with the Foodstuffs, Cosmetics and Disinfectants Act	1000 food samples taken	1000 food samples taken	706 Food samples	-294	Posts already advertised, to be filled in new financial year.
		Take samples at all Major Functions as per the received applications in accordance with the Foodstuffs, Cosmetics and Disinfectants Act 54 1972	Number of samples taken at all major functions where applications have been received	Samples taken at all major functions where applications have been received	All Samples taken at all major functions where applications have been received	107 samples taken at all major functions where applications have been received	none	none
	Ensure disposal of dead (burials of unidentified persons)	Ensure disposal of the dead (Burials of Unidentified persons)	Burials done within 2 weeks	All Burials done within 2 weeks after receiving application from Provincial Forensic Laboratory.	All Burials done within 2 weeks after receiving application from Provincial Forensic Laboratory.	73 Burials done within 2 weeks after receiving application from Provincial Forensic Laboratory.	None	None

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	Inspect food premises	Conduct food premise as per the provisions of the Foodstuffs, Cosmetics and Disinfectants Act 54 1972	Number of food premise inspections conducted	17500 food premise inspections	17500 food premise inspections	16063 Inspections	-1437	Posts already advertised, to be filled in new financial year.
	Inspect dairy farms	Conduct inspections at dairy farms as per the provisions of the Foodstuffs, Cosmetics and Disinfectants Act 54 1972	Number of dairy farms inspected	80 dairy farms inspected	All 80 existing dairy farms inspected	54 Inspections	-26	Posts already advertised, to be filled in new financial year.
	Inspect mortuaries	Conduct inspections on all mortuaries as per the provisions of the Public Health Act	Number of mortuaries inspected	35 mortuaries inspected	All 35 existing mortuaries inspected	33 Inspected	-2	Posts already advertised, to be filled in new financial year.
Promote HIV /AIDS prevention measures	Prevent new HIV/ AIDS infections	Conduct training on HIV/AIDS	Number of HIV/AIDS courses conducted	12 courses to be conducted	12 courses to be conducted	23 Courses	+11 Positive Variance	none
		Intensify education and awareness on HIV/AIDS	Number of HIV/Aids seminars to be conducted	2 seminars	2 seminars	8 Seminars	+6 Positive variance	
		Preventing the spread of HIV	Number of condoms distributed	1 600 000 condoms	1 600 000 condoms	1850 000 Condoms	+250000 Positive variance	none
		Encourage the community to know their HIV/AIDS status	Number of persons tested through Voluntary Counselling and Testing (VCCT)	300 persons tested	300 persons tested	1065 Persons tested	+765 Positive variance	none
		Conduct HIV/AIDS Counselling and outreach programmes	Number HIV Counselling and Testing outreach programmes conducted	25 sessions held	25 sessions held	46 Sessions held	+21 Positive variance	none

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		Assist Home Based Care Organizations and OVC (orphan and vulnerable children) through training, referrals to other govt departments and information dissemination	Number of Home Base Care (HBC) assisted	50 HBC assisted	50 HBC assisted	45 HBC assisted	-5 Negative Variance	Posts already advertised, to be filled in new financial year.

Table 3.60: EMPLOYEES: HEALTH INSPECTION

Employees: Environmental Health					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	3	2	1	33%
4 - 6	2	8	2	6	75%
7 - 9	22	34	21	13	38%
10 - 12	3	6	2	4	67%
13 - 15	0	1	0	1	100%
16 - 18	5	9	5	4	44%
Total	34	61	32	29	48%

Table 3.61: FINANCIAL PERFORMANCE: HEALTH INSPECTION AND ETC.

Financial Performance: Health Inspection and Etc.					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	139	166	166	114	52
Expenditure:					
Employees	8,878	11,517	11,517	9,779	1,738
Repairs and Maintenance	2	419	419	294	125
Other	865	1,867	1607	1,003	604
Total Operational Expenditure	9,745	13,803	13,543	11,075	2,468
Net Operational Expenditure	9,606	13,637	13,377	10,961	2,416

COMMENT ON HEALTH INSPECTION, FOOD AND ABBATTOIR

The City continues in providing drinking water services that is compliant to set water service standard. For the year under review, the City has made strides in upgrading the Maselspoort Water Treatment Work – the installation of low and high lift water pumps is nearing completion and the municipality has obtained a Blue Drop Score of 63.53%.

The city also ensured that all initiation schools within the municipality complied with the Initiation Schools Policy and all know 109 initiation schools were inspected.

The City continued to provide effective health services in relation to inspection of mortuaries, ascertaining water quality and raising basic hygiene awareness ***albeit*** there is a need for improvements in relation inspection of food premises and inspection of dairy farms.

The City continues to perform well in relation to promoting awareness to educate communities on HIV/AIDS; all the set performance targets were exceeded to the exception of number of Home Base Care (HBC) assisted.

COMPONENT G: SAFETY AND SECURITY

The objective of the sub directorate is to enhance order and voluntary compliance with road traffic rules in the road network of the MMM and to ensure that Mangaung is a safe and secure place to live in, visit and do business in. In order to achieve this, the division aims to prevent and minimize all security risks and threats to municipal property, services and people, crime prevention, enforcement of municipal by- laws and other applicable legislation and the investigation of municipal related crime

3.15 INTRODUCTION TO POLICING

Installation of CCTV cameras around the Mangaung Metropolitan Municipality targeting the hotspots as identified by law enforcement agencies (SAPS, *etc.*). This will in future be utilised for traffic violations supplemented by, ***speed law enforcement cameras***. The implementation of such measures has resulted in a decline of motor accidents and behavioural change of motorists. Lastly, the introduction of the ***Parking Marshal System*** will curb double parking and or parking in loading zones by motorists, or parking for the whole day in one spot, this is also a revenue enhancement strategy for the municipality

55 officers are available on a daily basis, doing both law enforcement administration (traffic and security)

Table 3.62: SERVICE DELIVERY OBJECTIVES FOR SAFETY AND SECURITY

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
To reduce crime in the municipal area	Enhance enforcement of the by-laws through the use of the CCTV cameras	Timely response to offences identified on CCTV camera	Number of CCTV identified incidents attended to within 25 minutes.	137 Incidents	7 out of 10 CCTV identified incidents attended to within 25 minutes	43 Identified incidents	none	none
	Extension of CCTV Cameras in newly identified hotspots Enforcement of the By-Laws	Increase surveillance within the crime hotspots within the municipality	Number of new CCTV cameras installed in newly identified hotspot areas	23	15 Cameras installed	15 Cameras installed both in Botshabelo and Thaba Nchu	none	none
	Enforcement of the By-Laws	To ensure Street Trader By-Law compliance.	Number of street trading operations conducted	New KPI	12 Street Trading Operations conducted	40 Street Trading Operations conducted	+28 positive variance	None
	Enforcement of the By-Laws	To ensure By-Law compliance regarding student housing	Number of Student housing operations conducted	New KPI	8 Student housing operations conducted	12Student housing operations conducted	+4 positive variance	None
To create a safe and secure road environment for all road users	Implement operational programmes to reduce speeding violations	Reduction of speeding violations by motorists within MMM	Number of notices issued to speeding transgressors	7200	10000 Notices issued to speeding transgressors	122748 Notices issued to speeding transgressors	+112748 positive variance	none
To create a safe and secure rod environment for all road users	To track offenders with outstanding Warrants of arrests	Traffic offenders to be served with warrants of arrests	Number of warrants of arrests executed	871	1000 warrant of arrest to be executed	1172 warrant of arrest to be executed	+172 positive variance	None
To create a safe and secure road environment for all road	Implement operational programmes to reduce cell phone	Limit the use of cell phones by motorists within MMM	Number of notices issued to motorists using cell phones	432	500 Notices issued to motorists using cell phones	813 Notices issued to motorists using cell phones	+313 positive variance	None

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
users	violations							
To create a safe and secure road environment for all road users	Implement operational programmes to reduce seat belt violations	Reduction of motorists not wearing seatbelts	Number of notices issued to motorists not wearing seat belts	1389	1500 Notices issued to motorists not wearing seat belts	3191 Notices issued to motorists not wearing seat belts	+1691 positive variance	None
To create a safe and secure road environment for all road users	Implement operational programmes to reduce the number of un-roadworthy vehicles	Reduction of un-roadworthy vehicles within MMM interventions	Number of notices issued to motorists driving un-roadworthy vehicles	2116	2200 Notices issued to motorists driving un-roadworthy vehicles	3797 Notices issued to motorists driving un-roadworthy vehicles	+1597 Positive variance	None
	Ensure safe and secure environment to residents of Mangaung	Number of crime awareness campaigns conducted within the municipality	Number of crime awareness campaigns conducted	12 Crime Awareness campaigns to be conducted (3 per quarter)	12 campaigns conducted	27 campaigns conducted	+15 positive variance	None
		Number of operations conducted targeting known crime hotspots within MMM	Number of crime prevention activities targeting known hotspots	12 Hotspots to be targeted (1 per region per quarter)	12 Crime prevention activities conducted targeting known hotspots	16Crime prevention activities conducted targeting known hotspots	+4 Positive variance	None
	Ensuring prompt and appropriate post incident recovery	Number of major roadblocks conducted within MMM	Number of road blocks conducted in high risk areas	Major Roadblocks conducted	12 Road blocks to be conducted	33Road blocks to be conducted	+21 Positive variance	None
Improve revenue collection	Enforce payment of traffic fines	Traffic cases successfully enforced to finality and payment received	Number of traffic fines paid	5 000 traffic fines paid	5 000 fines paid	18565	+13565 Positive variance	None

Table 3.63: EMPLOYEES: POLICE OFFICERS/TRAFFIC AND SECURITY OFFICERS

Employees: Traffic & Law Enforcement					
Job Level	**Year -1**	**Year 2013/14**			
Police Administrators	**Employees No.**	**Posts No.**	**Employees No.**	**Vacancies (fulltime equivalents) No.**	**Vacancies (as a % of total posts) %**
0 - 3	1	1	1	0	0%
4 - 6	11	11	10	1	9%
7 - 9	56	64	54	10	16%
10 - 12	110	214	129	85	40%
13 - 15	71	159	72	87	55%
16 - 18	4	8	3	5	63%
Total	253	457	269	188	41%

Table 3.64: FINANCIAL PERFORMANCE: POLICE/TRAFFIC AND SECURITY

Operational Budget	**Year -2013/2014**			
	Original Budget	**Adjustment Budget**	**Actual**	**Variance to Adjustment Budget**
Total Operational Revenue,	7,855,401	6,855,401	5,666,113	1,189,288
Expenditure:				
Employees	54,917,939	60,681,278	62,125,820	-1,444,542
Repairs and Maintenance	8,579,880	9,594,453	7,752,765	1,841,688
Other	41,093,217	40,790,947	31,792,183	8,998,764
Total Operational Expenditure	104,591,036	111,066,678	101,670,768	9,395,910
Net Operational Expenditure	96,735,635	104,211,277	96,004,655	8,206,622

Table 3.65: CAPITAL EXPENDITURE: POLICE/TRAFFIC AND SECURITY

Capital Projects	**Year 2013/14**			
	Budget	**Adjustment Budget**	**Actual Expenditure**	**Variance from adjustment budget**
Installation of CCTV cameras	2,000,000	2,000,000	1,976,466	23,534

OVERRALL PERFOMANCE OF SAFETY AND SECURITY

In terms of CCTV cameras 43 incident cases were reported and attended to in the specified time frame by SAPS and security personnel and18 crime prevention activities were conducted targeting certain hotspots.

In terms of speed law enforcement cameras 15 permanent cameras were installed in Botshabelo and Thaba Nchu

3.16 FIRE

The Fire and Rescue Services aims to prevent fires. Focus is thus placed on fire prevention and public education / awareness.

During the period under review 2418 inspections were conducted at premises to which the general public has access. The aim of these inspections is to ensure compliance with statutory fire safety measures. During the same period 240

Health Care Workers were trained in basic fire safety and evacuation procedures. Focus was also placed on paraffin safety with a total of 10 campaigns reaching 2300 persons conducted. The Fire and Rescue Service also participated in the Bloem Show. Twenty one (21) Fire Safety awareness contact sessions were conducted with commerce and industry institutions resulting in 849 persons being exposed to fire safety in the work place.

Table 3.66: METROPOLITAN FIRE SERVICE DATA

Metropolitan Fire Service Data			
Details	**Year 2012/13**	**Year 2013/14**	
	Actual No.	**Estimate No.**	**Actual No.**
Total fires attended in the year	1325	1300	999
Total of other incidents attended in the year	250	250	303
Average turnout time - urban areas	13 min	Not estimated	11 min
Average turnout time - rural areas	23 min	Not estimated	18 min
Fire fighters in post at year end	85	100	109
Total fire appliances at year end	26	26	26
Average number of appliance off the road during the year	5	2	5

Table 3.67: FIRE SERVICE POLICY OBJECTIVES TAKEN FROM THE IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
To limit the number of fire deaths resulting from accidental fires in residential buildings		Number of fire and rescue emergency responded to in compliance with SANS 10090 i.r.o: • Weight of response • Turn out time	Number of fire and rescue emergency responded to in compliance with SANS 10090 i.r.o: • Weight of response Turn out time	7.5 out of 10	7.5 out of 10	8.9 out of 10	+1.4 out of 10	None
	Preventing fires	Number of fire safety inspections at High Risk Premises to determine level of compliance with statutory fire safety measures and approved building plans	Number of inspections at High Risk Premises	90	90	122 Inspections at High Risk Premises	+32 Positive variance	None
		Number of fire safety inspections at Moderate Risk Premises to determine level of compliance with statutory fire safety measures and approved building plans	Number of inspections at Moderate Risk Premises	250	250	317 Inspections at Moderate Risk Premises	+67 Positive variance	None
		Number of fire safety inspections at Low Risk Premises to determine level of compliance with statutory fire safety measures	Number of inspections at Low Risk Premises	1800	1800	1979 Inspections at Low Risk Premises	+179 Positive variance	None

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		and approved building plans						
		Number of building plans submitted that are scrutinized for compliance with statutory fire safety measures within 5 working days after receipt of the plans	Number of building plans submitted that are scrutinized for compliance with statutory fire safety measures within 5 working days after receipt of the plans	8 out of 10	8 out of 10	10 out of 10	+2 out of 10 positive variance	None
		Number of Fire Safety Compliance Certificates inspections conducted within 2 working days after receipt of request	Number of Fire Safety Compliance Certificates inspections conducted within 2 working days after receipt of request	7 out of 10	7 out of 10	9.2 out of 10	+2.2 out of 10 Positive variance	None
	Educating the public in fire safety	Number of fire safety public awareness contact sessions with MMM Commerce and Industry Institutions	Number of fire safety public awareness contact sessions with MMM Commerce and Industry Institutions	6	6	21 Public awareness contact sessions	+15 Positive variance	None
		Number of Health Care Facility staff members trained in fire safety and evacuation procedures	Number of Health Care Facility staff members trained in fire safety and evacuation procedures	250	250	240 Staff members trained	-10 Negative variance	Additional post to enhance capacity has been filled

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		Number of public outreach events aimed at creating public awareness in relation to Fire Safety	Number of public outreach events aimed at creating public awareness i.r.o. Fire Safety	6	6	10 Outreach events	+4 Positive variance	None
		Number of persons from the industrial and commercial community trained in fire safety	Number of persons from the industrial and commercial community trained in fire safety	200	200	165 persons from the industrial and commercial community trained in fire safety	-35 Negative variance	Additional post to enhance capacity has been filled
	Skills enhancement and maintenance of Fire fighting staff	Number of training courses in relation to fire fighting and / or rescue and / or hazardous materials presented	Number of training courses presented	3	3	3 Training courses presented	No variance	None
To limit the number of fire deaths resulting from accidental fires in residential buildings	Responding to emergencies.	1 Fire Station established in the South-Eastern Area (Ward 45-46)	Completion certificates for the construction of the 1 Fire Station	New Project	1 Fire Station	Design completed and Bids for construction invited	1 Fire Station (Actual construction has not commenced – facility not completed)	Project to be executed over two financial years

Table 3.68: EMPLOYEES: FIRE SERVICES

Employees: Fire Services					
Job Level	**Year -1**	**Year 2013/14**			
Fire Fighters / Administrators	**Employees No.**	**Posts No.**	**Employees No.**	**Vacancies (fulltime equivalents) No.**	**Vacancies (as a % of total posts) %**
0 - 3	2	2	2	0	0%
4 - 6	4	7	4	3	43%
7 - 9	53	64	52	12	19%
10 - 12	27	49	27	22	45%
13 - 15	1	1	0	1	100%
16 - 18	7	11	6	5	45%
Total	94	134	91	43	32%

Table 3.69: FINANCIAL PERFORMANCE: FIRE SERVICES

Financial Performance Year: Fire Services					R'000
Details	**30/06/2013**	**30/06/2014**			
	Actual	**Original Budget**	**Adjustment Budget**	**Actual**	**Variance to Adjustment Budget**
Total Operational Revenue	720	678	678	579	99
Expenditure:					
Fire fighters					
Other employees	39,419	43,342	43,342	40,092	3,250
Repairs and Maintenance	172	622	822	465	357
Other	2,239	4,819	3,921	1,276	2,645
Total Operational Expenditure	41,829	48,783	48,084	41,832	6,252
Net Operational Expenditure	41,109	48,105	47,406	41,253	6,153

COMMENT ON THE PERFORMANCE OF FIRE SERVICE OVERALL

The City continues to provide effective fire service and all the set performance target were met for the period under review with the exception of 1 fire station established in the South Eastern Area (Ward 45-46).

3.17 DISASTER MANAGEMENT

The disaster management sub directorate is performing its functions and duties in accordance with the Disaster Management Act 2005 (57/2002). The MMM is in terms of the Act compelled to establish a Disaster Management Centre that will be the focal point for all disaster related management activities. Processes are in place for the building of a purpose made Disaster Management Centre. Mangaung Metropolitan Municipality is at present performing a 24/7 communication and control centre as part of the disaster management sub directorate where community can report any emergency situations. The top 3 service delivery priorities are:

a) Ensure prompt and appropriate post incident recovery
b) Enhance emergency preparedness
c) Ensure prompt and appropriate response to emergency incidents

Checklists and measurements were implemented to ensure compliance with standards set to ensure service delivery. Disaster Management staff are involved in public education programmes to enhance community resilience against disasters and negative effects thereof. The City is in its strides to comply with National Legislation relating to risk reduction and response and has constructed a new Disaster Management Control Centre to enhance the service.

Table 3.70: SERVICE DELIVERY OBJECTIVES FOR DISTASTER MANAGEMENT

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Prevent or reduce losses that occur due to natural or man-made disaster through preparedness, mitigation, response and recovery	Preventing Disasters	Percentage of JOC attendance at public events	Percentage of JOC attendance at public events	90%	90%	100 % JOC attendance at public events	+10% Positive Variance	None
		Disaster Management Centre established and operational as required by Disaster Management Act	Disaster Management Centre established and operational as required by Disaster Management Act	Completion of all preparatory work for establishment of Disaster Management Centre	Establishment of Disaster Management Centre	Project 98% completed. All furniture and IT equipment installed. Contractor in process of finalization of adjustments. Training of Operators started on 30 June 2014.	None	None required
		Compilation of an Disaster Management plan for MMM	Disaster Management plan for MMM	Commencing with risk and vulnerability assessment for entire MMM	Completion of risk and vulnerability assessment for entire MMM	Draft submitted to HoD Social Services	Completion of risk and vulnerability assessment for entire MMM	Finalise risk and vulnerability assessment for entire MMM
		Number of fire and rescue calls to which resources are dispatched within 3 minutes.	Number of fire and rescue calls to which resources are dispatched within 3 minutes	8 out of 10	8 out of 10	9.2 Out of 10	+1.2 Positive variance	-
		Number of callers polled indicating their satisfaction with the service rendered by the Control Centre.	Number of callers polled indicating their satisfaction with the service rendered by the Control Centre	9 out of 10	9 out of 10	10 out of 10	+1 Positive variance	-
To provide pre-hospital emergency medical	Responding to Emergencies	Assignment of ambulance service to MMM by the provincial	Fully operational ambulance service conforming to	Requesting assigning of function to MMM by MEC for Health	Conclusion of service level agreement between FSPG and MMM	Assigning of function by MEC for Health still being waiting.	Conclusion of service level agreement between	Corrective action not the prerogative of MMM

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
services to people in MMM area of jurisdiction		department of Health	national norms rendered by MMM				FSPG and MMM *(Function not as yet assigned- no negotiations regarding Service Level Assignment initiated/ in progress)*	

Table 3.71: EMPLOYEES DISASTER MANAGEMENT

Employees: Disaster Management, Animal Licensing and Control, Control of Public Nuisances, Etc.					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	1	0	1	100%
4 - 6	2	8	2	6	75%
7 - 9	15	27	18	9	33%
10 - 12	2	6	1	5	83%
13 - 15	0	3	0	3	100%
16 - 18	0	0	0	0	0%
Total	19	45	21	24	53%

Table 3.72: FINANCIAL PERFORMANCE DISASTER MANAGEMENT

Financial Performance: Disaster Management, Animal Licensing and Control, Control of Public Nuisances, Etc. R'000					
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	-	-	-	-	-
Expenditure:					-
Employees	2,444	4,787	4,787	3,343	1,444
Repairs and Maintenance	–	8	8	–	8
Other	104	619	684	491	193
Total Operational Expenditure	2,548	5,414	5,479	3,834	1,645
Net Operational Expenditure	2,548	5,414	5,479	3,834	1,645

COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT OVERALL

The City is performing well in relation to disaster management services and the set measurable performance targets are being met.

The City has not succeeded in obtaining feedback from the Member of the Executive Council (MEC) responsible for Health on the assignment of ambulance services to the City

COMPONENT H: SPORTS AND RECREATION

3.18 INTRODUCTION TO SPORT

Mangaung Metropolitan Municipality has set itself a lofty ideal of being a “Sporting Mecca” through supporting sport development.

Table 3.73: SERVICE DELIVERY OBJECTIVES FOR SPORTS

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Promote arts and cultural programmes	Promote cultural programmes	Initiate and support arts and cultural programmes	Number of arts and cultural programmes	5 programmes	5 programmes to be supported	5 Supported, 1 Implemented	-	-
	Research heritage sites and record on SAHIS data base	All Heritage sites, monuments, and public art listed, researched and recorded on the SAHIS data base	Number of Heritage Sites listed and researched.	Register all existing heritage sites, monuments, and public arts	Inspection and listing of three new and existing Heritage Sites.	None	Inspection and listing of three new and existing Heritage Sites.	Inspection and listing of three new and existing Heritage Sites will be inspected and listed in the new financial year
Promote and support sports and recreation in the Metro	Promote and support sports and recreation	Hosting and / or supporting sporting code programmes	Number of programmes hosted and sporting codes supported	4 programmes and sporting codes supported	4 programmes and sporting codes supported	Hosted and supported 35 programmes	Positive variance	None

Table 3.74: EMPLOYEES: SPORT

Job Level	2013/14			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	0	1	100.00%
4 - 6	0	0	0	0.00%
7 - 9	0	0	0	0.00%
10 - 12	8	7	1	12.50%
13 - 15	1	1	0	0.00%
16 - 18	47	30	17	36.17%
Total	57	38	19	33.33%

Table 3.75: FINANCIAL PERFORMANCE SPORTS AND RECREATION

Financial Performance: Sport and Recreation					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	-	-	-	-	-
Expenditure:					-
Employees	2,002	2,182	2,182	2,610	- 428
Repairs and Maintenance	166	240	112	75	37
Other	761	1,084	1,074	747	327
Total Operational Expenditure	2,930	3,506	3,368	3,432	- 64
Net Operational Expenditure	2,930	3,506	3,368	3,432	- 64

COMMENT ON THE PERFORMANCE OF SPORT

The City is on course on in promoting and supporting sports development in the City.

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

INTRODUCTION TO CORPORATE POLICY OFFICES

The unit is intended among other things to provide the following services:

- Effective and efficient HR management services to all directorates with the MMM
- Render labour relations support and programmes for employees and management of the municipality
- Support the workforce through the rendering of efficient occupational health and employee wellness
- Safety and loss control management
- Manage MMM facilities
- Provide ICT service to MMM
- Provide an integrated Human resource Development service

3.19 EXECUTIVE AND COUNCIL

Introduction

The Council of the City is vested with the legislative and executive authority for the municipality. The executive discharges oversight responsibility on the behalf of Council and oversee the performance of the municipality.

The top strategic priorities were:

a) Entrenching performance management mechanisms ***via*** the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP) to facilitate accountability;

b) Discharging oversight responsibilities – convening council and committees of councils; and

c) Entrenching knowledge management practices to position the municipality as a learning organisation.

Table 3.76: SERVICE DELIVERY OBJECTIVES OF EXECUTIVE AND COUNCIL

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Provide strategic leadership and planning with well-defined targets aligned to the budget	Provide strategic leadership, involvement and planning	Reviewed 2013/14 Integrated Development Planning, SDBIP and business plans	Reviewed IDP (2014/15) and MTRE 2014/15 - 2016/17 approved by Council	Comprehensive 2012-2016 IDP developed	Review IDP and SDF for 2013/14	Approved IDP 2014/15	None	None
		Service delivery and budget implementation plan (SDBIP) compiled annually	SDBIP developed and approved	2013/14 SDBIP developed and approved by the Executive Mayor 28 days after the approval of the IDP and budget	2014/15 SDBIP developed and approved by the Executive Mayor 28 days after the approval of the IDP and budget	Approved SDBIP 2013/14	-	-
		Mid-year budget and performance assessment report developed	Mid-year performance report approved	2012/13 mid-year budget and performance assessment report	2013/14 mid-year budget and performance assessment report	2013/14 mid-year budget and performance assessment report developed and approved by Council l and submitted to Provincial and National Treasury	-	-
Strengthen performance management system	Improve performance management and accountability	Reporting of performance as stated in the SDBIP	Performance assessment reports approved by Council	4 performance reports developed	5performance reports developed	5 performance reports developed	-	-
		Number of officials undertaking the PMS training programme	Training documentation	PMS training programme not implemented	50 general managers trained in PMS	None		
To promote government-wide (inter and	Forge partnerships and linkages with	Developed MOU between the City and Provincial	An approved MOU / TOR	IGR arrangements not formalised between the City and Provincial	10 Approved MOU / TOR	None	10 Approved MOU / TOR	To be expedited in new Financial year

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
intra) cooperation	other spheres of government and municipalities	Government on Inter Governmental Relations arrangements to implement the GDS of the City		Government. City only participated in PCF and MECLOGA				
Municipal relations and International Relations	To facilitate sound municipal and international relations and strategic partnerships	Number of twinning arrangements with South African municipalities	Twinning arrangements signed		3 cities – Jo'burg, EThekwini and Sol Plaatjie	None	3 cities – Jo'burg, EThekwini and Sol Plaatjie	To be expedited in new Financial year
		Number of twinning arrangements with international municipalities	Twinning arrangements signed	Ghent, City of Maseru	4 Cities – Ghent, City of Maseru, Xu Zhou, City of Kigali(Rwanda)	None	4 Cities – Ghent, City of Maseru, Xu Zhou, City of Kigali(Rwanda)	To be expedited in new Financial year
To enhance knowledge management in the City	Development and implementation of the Knowledge Management	Knowledge Management Strategy developed and implemented	Approved Knowledge Management Strategy	Knowledge Management Strategy developed in 2006	Reviewed and implemented Knowledge Management Strategy	Not achieved	Reviewed and implemented Knowledge Management Strategy	KMS to be reviewed and implemented in the new FY
Improve internal governance systems	Follow progress on the Implementation of Council resolutions	Decisions of Council are distributed for implementation	% of council decisions facilitated by issuing of execution letters and feedback requested from Department	100% tracking of council decisions	Facilitating the issuing of execution letters to all resolutions and obtaining feedback on progress for quarterly reporting to Council.	14 Council meetings, 12 MAYCO meetings, 36 Bid committees, 15 section 80 committees, 16 MPAC meetings & 2 other section 79; 40 EMT meetings	-	

COMMENT ON THE OVERALL PERFORMANCE OF THE EXECUTIVE AND COUNCIL

The Council of the City continues to discharge its assigned oversight responsibilities by meeting periodically within set legal parameters to process matters related to Council. The Executive Management Team meets continuously to discharge its responsibilities assigned by Council and various pieces of legislation. Performance targets related to Integrated Development Plan, PMS and SDBIP are being met with the exception of training officials in PMS.

The City has not succeeded in meeting set performance targets related to Inter-Governmental Relation and Knowledge Management.

3.20 FINANCIAL SERVICES

INTRODUCTION TO FINANCIAL SERVICES

The City's legal change of status to that of a metropolitan municipality as of May 2011 led to a rise in grant receipts. This is expected to continue over the medium term, the predictability of which remains fairly high.

The City has attained collection rate of 91.65% that represented 4.35% less than the set annual target of 96%.

The City has obtained a qualified audit opinion on its Annual Financial Statement and Annual Performance Report for 2012/2013 and has implemented an Audit Action Plan that is geared towards obtaining an improved audit outcome for the year under review (2013/2014)

1.62 months Cost Coverage ratio

By the end of the financial year cost coverage stood at >1.62 and this clearly demonstrate that the City has to do more in implementing credit control and debt collection policies in order to ensure a solid path of improving its liquidity position.

External Funding Sources

The City has succeeded in obtaining a loan of R600 million from Standard Bank and the Development Bank of Southern Africa (DBSA) to finance infrastructure and revenue generating projects

Table 3.77: DEBT RECOVERY

Debt Recovery			
Details of the types of account raised and recovered	**2013/14 in R'000**		
	Budget for the year	**Actual accounts billed in year**	**Proportion of accounts value billed that were collected%**
Property Rates	493,976	514,177	
Electricity	1,831,742	1,747,412	
Water	543,286	514,367	
Sanitation	132,361	143,927	
Refuse	33,847	59,877	
Other	224,686	134,576	
Total	3,259,898	3,114,336	91.65%

The proportion of account value billed is calculated by taking the total value of the year's revenues collected against the bills raised in the year by the year's billed revenues.

Table 3.78: SERVICE DELIVERY OBJECTIVES OF FINANCE IN THE IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Improve customer satisfaction	Improve billing system	Number of customers receiving accurate bills	Percentage	60%	Reduce the interim meter readings to 30% (Excluding faulty meters)	85%		
				80% of consumer accounts	90% of consumer accounts are issued to correct addresses	86% of consumer accounts	-4%	The remaining consumer accounts to be corrected in the new FY
	Improve revenue collection	Debt Collection within MMM improved	Percentage	93%	96%	91.65%	4.35%	Speed implementation of Finance Road Show in the 2014/15 financial year"
Prudent fiscal management	Quality and frequent financial reporting	% operation and capital expenditures against the budget (from 80%)	Percentage	90%	95%	±86%		
	Implement clean audit initiatives	Development, implementation and monitoring of Audit Action Plan to address issues raised by the Auditors	Report	Qualified audit report	Financially Unqualified audit report	Unqualified audit report		
	To ensure procurement processes which complies fully with the SCM policy	SCM implementation reports submitted to the Mayor and Council.	Number of SCM quarterly reports submitted to the Mayor and Council.	Four (4) SCM quarterly Reports submitted to the Mayor and Council.	Four (4) SCM quarterly Reports to be submitted to the Mayor and Council.	Four (4) SCM quarterly Reports submitted to the Mayor and Council.		
		Compilation of an irregular expenditure	Monthly irregular expenditure registers.	Irregular expenditure registers for 12 months period.	Irregular expenditure registers for 12 months period.	Irregular expenditure registers for 12 months period.		
	Cost Coverage (NKPI)	Month(s) Coverage	Months	>0.12 Month	> 2 months	1.62 months	-1.38 months	Speed implementation of

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
								"Operation " Pay Up Strategy"
	Develop and review out-dated policies in the directorate	Approval of Policies by Council	Number of policies	Development of all the budget related policies and by-laws	Annual review of all the budget related policies and by-laws	SCM manuals developed		
		Number of training interventions	Training reports and certificates	Audit of finance skills base and proper placement of staff	4 Training interventions	90 employees are currently enrolled in the Municipal Finance Management Programme.		
Revenue Enhancement	Collect all collectable revenue and Leverage alternative sources of funding	Amount of externally sourced funds - Loan Increasing revenue base by accounting for unaccounted services	Trial balance	R 50 million	R 50 million	A loan of R600 million leveraged	N/A	
	Identification of additional revenue streams	Increasing revenue base by accounting for unaccounted services 100% implementation of the reviewed revenue enhancement strategy of MMM	Number of reports relating to revenue enhancement	Implementation of the short term revenue enhancement strategies	Implementation of the medium to long term revenue enhancement strategies	Implementation of the short term revenue enhancement strategies		
	Review of lease agreements	Number of municipal owned asset agreements reviewed	Lease agreement	10% increase in rental income	30% increase in rental income	Draft Operation "Pay-up" Strategy Developed	30% increase in rental income	Speed implementation of "Operation " Pay Up Strategy"
Revenue Enhancement	Develop new valuation roll based on the	Valuation roll compiled and revisions made	Approved Valuation roll and Billing report	Implementation of supplementary valuation roll in order to	Implementation of new valuation roll on the 01 July	Four (4) supplementary valuation rolls		

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	site and any improvements made	annually		incorporate new developments in the existing valuation roll		implemented		
Develop an effective asset management programme	Develop a Fixed Asset Register which records all municipal Assets	Fixed Asset Register is compiled and updated monthly	Fixed Asset Register	Immovable and Movable assets -100% compliance with applicable accounting standards	100% compliance with applicable accounting standards	Immovable and Movable assets - 100% compliance with applicable accounting standards		
	Develop an Asset Management Policy and Procedure Manual to cover the acquisition, maintenance and disposal of assets	Asset Management procedure is compiled in line with legislation and council policy	Procedure Manual	Development and implementation	Annual review of Asset Management Policy and procedure manual	Development and implementation		
	Periodic physical asset counts and impairment tests	Report on the annual asset count submitted to council	Asset Count Reports	At least one complete count of all movable and immovable assets	At least one complete count of all movable and immovable assets	At least one complete count of all movable and immovable assets		
				Ad hoc asset counts of selected locations	Ad hoc asset counts of selected locations	Ad hoc asset counts of selected locations		

Table 3.79: EMPLOYEES FINANCIAL SERVICES

Employees: Financial Services					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	14	16	14	2	13%
4 - 6	44	74	45	29	39%
7 - 9	61	71	62	9	13%
10 - 12	85	115	89	26	23%
13 - 15	10	104	9	95	91%
16 - 18	20	34	21	13	38%
Total	234	414	240	174	42%

Table 3.80: FINANCIAL PERFORMANCE: FINANCIAL SERVICES

Financial Performance: Financial Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	104,301	128,709	128,709	131,075	- 2,366
Expenditure:					-
Employees	74,088	95,098	95,098	82,129	12,969
Repairs and Maintenance	4	272	1,462	934	528
Other	63,565	92,205	78,341	70,735	7,606
Total Operational Expenditure	137,656	187,575	174,901	153,798	21,103
Net Operational Expenditure	33,355	58,866	46,192	22,723	23,469

Table 3.81: CAPITAL EXPENDITURE FINANCE

Capital Projects	2013/14			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Total All	2,000,000	4,000,000	2,975,293	1,024,707
Rates Revamp	1,500,000	1,486,500	999,895	486,605
Asset Register	0	1,000,000	1,077,835	-77,835
Office Furniture	500,000	1,000,000	897,562	102,438

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

The performance against set national key performance indicators reveals that the overall financial liquidity position of the City is improving.

3.21 HUMAN RESOURCES SERVICES

The strategic objective of human resource management is to lead, manage and direct human resource functions within the MMM through the following:

a) Labour relations
b) Occupational health and wellness
c) HR benefits
d) Work study
e) Job evaluation
f) Payroll Management
g) Safety and loss control
h) HR Systems
i) Individual performance Management
j) Employment

Table 3.82: EMPLOYEES HUMAN RESOURCES SERVICES

Employees: Human Resource Services					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	3	5	4	1	20%
4 - 6	28	26	25	1	4%
7 - 9	22	25	20	5	20%
10 - 12	19	23	21	2	9%
13 - 15	1	5	0	5	100%
16 - 18	2	4	4	0	0%
Total	75	88	74	14	16%

Table 3.83: FINANCIAL PERFORMANCE: HUMAN RESOURCE SERVICES

Financial Performance: Human Resource Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	5,790	11,512	11,512	6,612	4,900
Expenditure:					-
Employees	21,491	127,699	127,699	101,830	25,869
Repairs and Maintenance	2	28	28	2	26
Other	188,521	146,184	151,717	92,049	59,668
Total Operational Expenditure	210,014	273,911	279,444	193,880	85,564
Net Operational Expenditure	204,224	262,399	267,932	187,268	80,664

Table 3.84: SERVICE DELIVERY OBJEVTIVES FROM THE IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Improved labour relations management	Foster good relationship with organised labour and conclude all outstanding labour disputes	Number of consultative meetings held with organised labour	Number of LLF Meetings held	12 meetings	12 meetings	4 meetings	-8	Ensure that annual calendar of meeting is developed and agreed to by all parties
	% labour disputed resolved internally	Reduction of labour disputes	% Number of Labour Disputes resolved internally	Agreements on issues of mutual interest	Agreements on issues of mutual interest	Not achieved	Agreements on issues of mutual interest	Agreements on issues of mutual interest to be entered into in the new FY
		Number of Senior Management attending the Workshop on Presiding and prosecuting disciplinary hearings	Workshop material	Training on labour legislation and HR Management	8= HOD's 30=GMs 40= Managers trained on labour relation related to presiding and prosecuting disciplinary hearings	Not achieved	8= HOD's 30=GMs 40= Managers trained on labour relation related to presiding and prosecuting disciplinary hearings	Training programme to be implemented in next FY
	Retention of skills	Develop and approve succession policy	Succession policy	No approved succession policy in place.	Approved Succession Planning Policy	Not achieved	Approved Succession Planning Policy	Draft succession planning policy to be implemented in the new FY
		Develop and approve career planning and pathing policy	Development of career planning and pathing.	No approved career planning and pathing policy in place.	Approved Career Planning and Pathing Policy	Not achieved	Approved Career Planning and Pathing Policy	Draft Career Planning and Pathing policy to be implemented in the new FY
		Develop and approve scarce skills policy	Identification and development of scarce skills	No approved scarce skills policy in place.	Approved Scarce Skills Policy	Not achieved	Approved Scarce Skills Policy	Draft Scarce Skills Policy to be implemented in the new FY
	Conducting a skills needs analysis Compilation of a	Performance of a skills audit within the municipality and the required	Skills audit report	Skills audit report	Develop and submit to EMT a comprehensive project for the conducting of the Skills	Not achieved	Skills audit report	Skills audit to be conducted and a report thereon to be developed in the new

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	work skills plan	corrective measures			Audit Project			FY
		Approved Workplace Skills Plan submitted to LGSETA by 30 June	Approved work skills plan submitted to LGSETA	Approved work skills plan	Develop and Populate an occupation classification matrix	Submitted WSP for 2014/15 financial year	-	-
		Compiling an annual training implementation report by 30 June each year	Annual training Report Submitted to LGSETA	Annual Training Report submitted to LGSETA	Annual training report submitted to LGSETA	80% implementation of the workplace skills plan	20%implementation of workplace skills plan	Implementation of workplace skills plan to be expedited in the new FY
		Number of Accredited training courses provided in line with skills needs identified within WSP	Training material and certificates	12	12	5 training programmes approved by LGSETA	7 training programmes approved by LGSETA	Expedite the implementation of training programmes approved by LGSETA
		Number of Learnerships as approved by LGSETA presented.	Learnership agreement	1	1	Not achieved	1 Learnership agreement	Conclude Learnership agreement with LGSETA
	Institutional transformation and re-design	Number of employees placed on the new organogram	Re-designed organogram	Approval of placement policy	Development of a remuneration structure	± 70 % of staff recommended for placement on	-30%of staff to be recommended for placement	Placement to be concluded in the new FY

COMMENT ON PERFORMANCE OF HUMAN RESOURCES SERVICES OVERALL

The City has succeeded in restoring and improving labour relations. Workplace Skills Development Plan has been developed, ratified by labour and subsequently approved by the Local Government Sector Education Training Authority (LGSETA). In pursuit of developing its Human Capital, the City has implemented 80% of its workplace skills plan. Five (5) training programmes approved by LGSETA have been implemented.

The City has not succeeded in meeting set performance targets in relation to convening of LLF and reduction of labour disputes. A number of policies related to HR such as succession planning, career development have been developed but have not being implemented as yet as they have not served before the Local Labour Forum (LLF). The City has not also met is targets in relation to providing learnerships approved by LGSETA.

3.22 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The Information Management & Technology Sub Directorate serves as the focal point for technology advancement in the institution. The IMT Sub Directorate provides control in areas of planning, operation, and maintenance of technology infrastructure, systems, and applications. In broad the IMT Sub Directorate is responsible for the institution's communications and computer systems, which include voice, and computer-based technologies. These services and technologies provide the MMM with the tools essential to effectively carry out day to day operations to support the overall MMM mission and goals.

The IMT Sub Directorate operates in a collaborative relationship with user departments by facilitating the identification of the appropriate technology and assisting users and management with the implementation of that technology.

During the reporting year, a number of outcomes have been achieved including upgrading of current internet/e-mail/system line, completion of SOLAR migration and the implementation of new VoIP at Braam Fischer building is nearing completion.

Table 3.85: SERVICE DELIVERY OBJECTIVES OF ICT ROM IDP

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
Enhance IT governance and strategy and formulate governance plans and strategies, as well as accompanying policies and procedures, to concurrently enable the municipality to achieve its strategic vision, support audit requirements, manage risk, and exhibit responsible financial management	Develop and monitor an IT Governance Maturity Model	IT Governance Maturity Model developed as guideline to the development and implementation of formal IT Strategy	Monthly status reports	No ITGMM in place	Development of ITGMM	ITGMM has been developed as part of the ICT Strategy document.		
	Development of an overall IT Strategy	Overall IT Strategy developed	Monthly status reports	No IT Strategy in place	Implementation of IT Strategy	IT Strategy developed and approved		
	Development of IT Master Systems Plan	ITMSP Developed and monitored	Monthly status reports	No ITMSP in place	Implementation of ITMSP	ITMSP developed and approved as part of the IT Strategy		
	Review of IT Policy Framework and Business Continuity Plan	IT Policy and BCP reviewed to be in line with IT Strategy and ITMSP	No of policies and BCP approved	ITPF and BCP not adequate and also not approved by Council	8 Policies including BCP be revised and approved by Council	IT Password Control Policy and Cellular Phone Policy developed and approved	6 policies	Expedite the revision of policies in the new FY
	Proper record keeping of all ICT and related equipment, systems and software	IT related equipment, systems and software procured and utilized as outlined in ITMSP	Number of assets recorded on asset database regarding asset information and user	Outdated Asset management system	On-going monitoring of IT related equipment, system and software	Manage Engine Service Desk Plus application procured.		
	Redevelopment of MMM Intranet	MMM Intranet with relevant information to offer assistance to Council, management and end users	Level of availability and integrity of information	Current MMM Intranet outdated	Redevelopment of MMM Intranet	MMM Intranet redeveloped and launched. Updates are made as needed		
		Report showing purposes of all current	Populated list of information systems	No formal list of MMM Information Systems	Monitoring of all current information systems used by MMM	RouteMaster, Meter Reading Orbit, Document		

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
		information systems as well as its age and technical information				Management Cemetery System, Grave management HR Focus, Human capital management PayDay, Salary management SOLAR, Financial System WordPress, Intranet and Internet website management 2021 Traffic Management System, Traffic fine systems HardCat, Asset Management System TeamMate, Internal Audit System Inzikile, Environmental Health System VCMS, Vehicle Cost Management System PowerTrack, Vehicle Tracking System		
	Upgrade current Internet/e-mail/system lines	Upgrade current Internet/e-mail/system lines	Total Of “up-time” achieved	Current 2MB Diginet line	Current Internet/e-mail/system lines updated to accommodate municipal needs	Completed.		
	Replacement of obsolete servers	Number of obsolete servers replaced	Quarterly report of performance monitored	Current servers are outdated	Replacement of servers and quarterly monitoring of all servers	Completed as part of SOLAR migration project. Triangle solution with 3 x		

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
						different server sites has been built.		
	Modernising of Bram Fischer telephone system	100% implementation of a New VoIP system	Operational VoIP system	Current analogue/digital system	Operational of Bram Fischer telephone system	99% Complete. Currently awaiting on Telkom to perform final cut-over	1%	To be finalised in the new FY
	Maintain 2-hour turnaround time on support calls	Maintenance of a 2-hour turnaround time on support calls	Number of support calls attended to within 2 hours	Monthly call report not adequate	Maintain 2-hour turnaround time on support calls	On-going process		
	Develop system for software license management	100% implementation of a system of monitoring software license	Number of software licenses procured	No system for software license management in place	System to monitor all software licences to be developed and implemented. Licenses to be procured and managed effectively	Manage Engine Service Desk Plus application procured.		
Create a proper working environment	Upgrade and rehabilitate Municipal Buildings	Number of municipality buildings to be upgraded in line with the maintenance programme	No of Buildings	0	27	20	7	Upgrading and rehabilitation of municipal buildings to be expedited in the new FY
Maximize usage of sports facilities	Rehabilitating of existing sports facilities	Number of sports facilities to be rehabilitated	No of sports facilities	2	8 – New Projects	5	3	Rolled over projects to expedited in the new financial year.
					4 Rolled over projects	0	4 Rolled over projects	Rolled over projects to be implemented expeditiously in the new FY
Energy saving	Lowering electricity consumption	Number of buildings Retrofitted with energy efficient bulbs	No of Buildings with retrofitting energy bulbs: 1.Bram Fischer 2.Gabriel Dichabe 3.Leslie Monanyane	-	15 Buildings	3	12 buildings	The retrofitting projects to be accelerated in the new FY when grant funding has been leveraged

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
			4.City Hall 5.Environmental Offices 6.IT Offices					

Table 3.86: EMPLOYEES: ICT SERVICES

Employees: ICT Services					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	2	1	1	0%
4 - 6	12	20	12	8	40%
7 - 9	27	52	26	26	50%
10 - 12	16	17	16	1	6%
13 - 15	6	9	4	5	56%
16 - 18	2	2	2	0	0%
Total	64	102	61	41	40%

Table 3.87: FINANCIAL PERFORMANCE: ICT

Financial Performance: ICT Services					R'000
Details	30/06/2013	30/06/2014			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Adjustment Budget
Total Operational Revenue	–	130	130	–	130
Expenditure:					-
Employees	17,779	17,569	17,569	18,366	- 797
Repairs and Maintenance	929	1,681	1,181	902	279
Other	50,483	59,322	65,304	46,421	18,883
Total Operational Expenditure	69,192	78,571	84,053	65,688	18,365
Net Operational Expenditure	69,192	78,441	83,923	65,688	18,235

Table 3.88: CAPITAL EXPENDITURE ICT SERVICES

Capital Projects	Year 2013/14			
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget
Information Management Systems Enhanceme	6,500,000	6,500,000	4,274,081	2,225,919
Desktop Computers (Desktop Server Tabl	6,500,000	6,500,000	4,150,174	2,349,826
Upgrading Of Stadium Swimming Pool	-	10,317,927	10,226,282	91,645
Upgrading Of Bochabela Boxing Area	-	2,550,352	2,328,649	221,703
New Community Hall - Botshabelo	-	8,136,842	7,845,849	290,993

3.23 LEGAL, RISK MANAGEMENT AND INTERNAL AUDIT SERVICES

The Legal Services Sub-Directorate's main purpose is to provide a professional legal advice and assistance service to the municipality to ensure the proper protection of the municipality's interests and compliance with its obligations.

PRINCIPLES, AIMS AND OBJECTIVES:

a) The provision of legal advice and assistance to the Council and the administration of the municipality to ensure the proper protection of the municipality's interests, and compliance by the municipality with its legal obligations and responsibilities.

b) Compilation and adoption of new and amendments to existing policies of the municipality to ensure that the municipality's rights and interests are protected in areas that need regulation and that all policies are constantly reviewed and updated in line with legislative requirements.

c) Compilation and promulgation of new and amendments to existing by-laws of the municipality to ensure that the municipality's by-laws cover all activities and areas that need regulation, are constantly reviewed and updated and properly.

d) The establishment, implementation, updating and circulation of a Municipal Code containing all promulgated by-laws of the municipality to ensure the proper recording and availability of Council's by-laws.

e) Handling of the litigation process for criminal or civil cases in which the municipality, councillors or officials may become involved in their official capacity to ensure that the municipality's interests are properly protected.

f) Drafting, management, co-ordination, negotiation, administration and monitoring of all municipal contracts to ensure the proper protection of the Municipality's interests and compliance with its obligations.

g) Maintenance of a legal library to ensure that up to date and the latest legal information is available at any time.

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Table 3.89: PRINCIPLES, AIMS AND OBJECTIVES:

LITIGATION			BY-LAWS		CONTRACTS		
Civil	**Criminal**	**Labour**	**Revised**	**Newly Developed**	**Procurement**	**Non Procurement**	**Lease Agreements**
83			1	3	293	7	25

Table 3.90: SERVICE DELIVERY OBJECTIVES FOR LEGAL, RISK MANAGEMENT AND INTERNAL AUDIT SERVICES

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
To create and keep record which are adequate, consistent and necessary for legal and business requirements	Develop guidance on good practice with the aim of establishing common and consistent standards of records.	Records and Archives Implementation plan in place and adhered to by all directorates	Records Implementation plan	Benchmarking exercise with leading cities, finalisation and adoption of the archives and records policy	Compliance to the Records Implementation plan	Records Policy approved by Council. 45 linear metres of records disposed as per the Records Plan. 478 active users linked to the orbit system.		
	Activate and adapt the existing Contract Management module on Venus	100% capturing of all municipal contracts	Number of contracts captured	Contract data of purchase contracts captured	Management and implementation of contracts in line with scope of contract	Not achieved (the capturing of data on the financial system was placed on halt due to the upgrade from Venus to the Solar. The Solar System may be more advanced	Management and implementatio n of contracts in line with scope of contract	This project will be implemented in the new FY
	Workshop on Contract & Performance Management	Number of contract management workshops held	Number of contract management workshops held	-	12 workshops held	None	-12 workshops	Will be implemented in the new Financial Year (***Manager Contracts was only appointed in June 2014)***
Reviewing & implementatio n of By-Laws	Updating of Municipal Code	Updated Municipal Code	Updated Municipal Code	Municipal Code	Number By-Laws promulgated	Number of by- laws reviewed and promulgated	-	
	Develop standard operating procedures on By-Laws	Develop standard operating procedures on By-Laws	Development of a SOP	-	Smooth implementation of By-Laws procedures	A legal request form for assistance in commencing with the development and review of by-laws was circulated on Info	-	A flow chart is being created to indicate the process to be followed when a by-law or policy is developed or reviewed. A program is being developed for the establishment

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
								of by-law teams
	Workshop on By-Laws	Number of workshops held with MMM employees regarding by-laws of the municipality	Number of workshops held	-	Number of workshops held	None	Number of Workshops held	Actual target was to be 2 workshops for the F/Y during the 3rd& 4th Quarter. Dates of workshops will be set once the program has been finalised and the by-law teams are established
Strengthening of Litigation section	Develop standard operating procedures on Litigation	Develop standard operating procedures on Litigation	Development of SOP	Existing standard operating Litigation procedures throughout MMM	Smooth implementation of Litigation procedures	SOP submitted to City Manager for approval	-	SOP has been submitted to the CM for approval. Management will follow-up with the OCM.
Improvement of Legal Library	Ensure that MMM have access to all relevant legislation	Updating the legal library records	Availability of legal documentation	Small Library	Fully functional Legal Library	Proposal received from Lexis Nexis for an “electronic library”	Fully functional Legal Library	Lack of office space is a challenge and therefore Legal Services is looking into an “electronic library”
Compliance to good governance through Enterprise Wide Risk Management	Pro Active Risk Management governance framework and processes	100% implementation of Risk management Policy, Strategy, implementation plan	Reviewed risk management policy and developed risk registers approved	Facilitate development and implementation of risk management frame-work and processes	5 reports on implementation of Risk Management and action plan	27 operational risk registers reviewed and updated	-	-
	Ensure proper financial management	Investigate all identified irregular, fruitless and wasteful expenditure incurred	Number of investigations conducted and reports thereon compiled	Investigate and issue reports on reported allegations of fraud and corruption		21 reports finalised and issued	-	-
	Zero tolerance to fraud and	Investigate all reported	Number of investigations	Investigate and issue reports on reported	-	3 reports issued	-	-

IDP Objective	Strategy	KPI	Unit of Measurement	Past Year Performance 2012/13	Annual Target 2013/14	Actual Performance 2013/14	Variance	Corrective Action
	corruption	allegations of fraud and corruption	conducted and reports thereon compiled	allegations of fraud and corruption				
Maintaining strong and effective oversight structures	Establishment of effective, functioning Audit, Oversight and Public Accounts Committees consisting of knowledgeable persons	Audit Committee fully operational and meeting at least 4 times annually	Number of Audit Committee Meetings held	Six (6) Audit Committee Meetings held	At least four (4) meetings held	6 meetings	Positive Variance	n/a
Functional Internal Audit Activity,	Fully capacitated Internal Audit Activity consisting of competent and knowledgeable staff	Functional Internal audit activity operating according to the IIA Standards and approved risk based three year rolling strategic audit plan	Number of planned audit assignments completed	Developed and implemented internal audit three year rolling strategic plan and annual internal audit plan .Twenty two (22) planned audit assignments completed, including 6 Audit Committee meetings held.	30 audit assignments completed	36	Positive Variance	n/a

Table 3.91: EMPLOYEES LEGAL SERVICES

Legal Services					
Job Level	Year -1	Year 2013/14			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	2	6	2	4	67%
7 - 9	1	8	7	1	13%
10 - 12	1	1	0	1	100%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
Total	5	16	10	6	38%

COMMENT ON THE PERFORMANCE OF LEGAL, RISK MANAGEMENT AND INTERNAL AUDIT SERVICES OVERALL

The City continues to meet its set performance target in relation to risk management and internal audit activities. 27 operational risk registers were reviewed and updated, 21 reports on reported allegations of fraud and corruption were investigated and issued and 36 internal audit assignment reports were issued.

CHAPTER 4 - ORGANISATIONAL DEVELOPMENT PERFOMANCE

COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONELL

Following the establishment of the Mangaung Metropolitan Municipality, a new organisational structure was developed and subsequently approved by the City Manager. The creation and refinement of the structure rested upon the shoulders of the Heads of Departments, and the structure was honed to suit the requirements and needs that the metropolitan municipality status brought about. Sustaining a broader perspective and a holistic approach with regard to the proposed structure and staff establishment brought about an expansion of the structure and concomitant staff establishment.

4.1 EMPLOYEE TOTALS, STAFF TURNOVER AND VACANCIES 2013/14

Table 4.1: EMPLOYEES

Description	Year 2013/14		
	Approved Posts	Employees	Vacancies
	No.	No.	No.%
Water & Sanitation	488	226	262
Electricity	772	437	335
Solid Waste	478	170	308
Housing	206	108	98
Roads and Storm water	166	35	131
Planning	70	33	37
Local Economic Development	33	22	11
Community & Social Development	117	63	54
Environmental Protection	61	29	32
Health& Environmental Health	11	10	1
Security and Safety	597	287	304
Sport and Recreation	4	4	0
Corporate Services and Other	3655	2617	1038
Totals	**6637**	**4027**	**2610**

Table 4.2: VACANCY RATE

Designations	Total No Approved Posts	No Vacancies
Municipal Manager	1	0
CFO	1	0
Other S57 Managers (excluding Finance Posts)	6	0
Other S57 Managers (Finance posts)	0	0
Traffic officers	55	0
Fire fighters	163	25
Senior management: Levels 002-003 (excluding Finance Posts)	28	1
Senior management: Levels 002-003 (Finance posts)	6	0
Highly skilled supervision: levels 004-006 (excluding Finance posts)	265	125
Highly skilled supervision: levels 004-006 (Finance posts)	39	32
Total	509	183

Table 4.3: STAFF TURN-OVER RATE

Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year - 2010/11	3723	234	6.28%
Year - 2011/12	3793	197	5.19%
Year - 2012/13	3877	191	4.92%
Year - 2013/14	3876	261	6.94%

Vacancies are being advertised on a monthly basis. All vacancies are being advertised internally first to consider the internal work force as possible suitable candidates for the filling of the posts. Should a suitable internal candidate not be found then the post are advertised externally to recruit from the broad labour market. The average turnaround time for the filling of a position is about four (4) months.

The staff turnover rate of 4.92% (rounded 5%) is relatively low and stands in direct correlation to the high unemployment figure in the country.

COMPONENT B: MANAGING WORKFORCE

Note: MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

Work force Management within MMM is compliant with all legislative requirements governing the workplace together with collective agreements concluded by the parties at the SALGBC. There is an extensive consultation process with organized labour on issues of mutual interest at the Local Labour Forum.

This is done through Management of the recruitment process, selection and placement of staff; so that the best suited candidates are employed in alignment with the objective set out in the Employment Equity Strategy.

Employee benefits including sick leave are administered in terms of applicable labour legislation, Conditions of Service, Collective Agreements and policies by means of an integrated Electronic Human Resource Management System.

Progress made in the development of policies entails the drafting of these policies that are submitted to the EMT, Section 80 Committee and the LLF for consultation.

Table 4.4: HR POLICIES AND PLANS

HR Policies and Plans				
	Name of Policy	**Completed**	**Reviewed**	**Date adopted by council or comment on failure to adopt**
16/03/04	Affirmative Action			See comment under EE
2010	Code of Conduct for employees	100%		Adopted by SALGBC
2007	Delegations, Authorisation & Responsibility			
2010	Disciplinary Code and Procedures	100%		Adopted by SALGBC
	Employment Equity	70%		Draft in place still to be consulted with labour at LLF and then approved by Council.
2010	Grievance Procedures	100%		Adopted by SALGBC
2013	Human Resource and Development	70%		Draft in place still to be consulted with labour at LLF and then approved by Council.
Dec 13	Password Control Policy	100%		
Dec 13	IT Strategy	100%		
03/07/13	Cell Phone Policy	100%		
2012	Job Evaluation	50%	100%	Draft as proposed by SALGA, adoption by Council once finalized.
2010	Leave	100%		Adopted by SALGBC
10/04/13	Occupational Health and Safety	70%		Section 80 Provisionally approved, referred to LLF.
04/02/97	Official transport to attend Funerals	100%		Adopted by Council
15/11/13	Official Working Hours and Overtime	100%		Adopted by SALGBC
18/06/07	Organisational Rights	100%		Adopted by SALGBC
22/02/13	Policy for managing the performance of section 56 employees	60%		Went through section 80 Committee and been referred to LLF
15/12/03	Recruitment, Selection and Appointments	100%		Adopted by Council
01-Jul-13	Remuneration Scales and Allowances	100%		Adopted by SALGBC except for Sec 57 and General Managers
1997	Resettlement	100%		Adopted by SALGBC
	Work Place Skills Development Pan	100%		Submitted to the LGSETA on 30 April 2014 as per legislative requirement.
24/05/04	Smoking			

HR Policies and Plans				
	Name of Policy	**Completed**	**Reviewed**	**Date adopted by council or comment on failure to adopt**
01/04/09	Scarce Skills	70%		Draft in place still to be consulted with labour at LLF and then approved by Council.
12/08/12	Work Organisation	100%		Adopted by Council
16/07/86	Uniforms and Protective Clothing	100%		

The Human Resource Management Sub-directorate developed a number of policies that have been a submitted to EMT for inputs .This was followed by preparation and submission of items to Section 80 Committee and to the speakers for consideration. These will be submitted to the LLF for consultation to be later approved and adopted by Council.

Table 4.5: NUMBER AND COST OF INJURIES ON DUTY

Number and Cost of Injuries on Duty					
Type of injury	**Injury Leave Taken**	**Employees using injury leave**	**Proportion employees using sick leave**	**Average Injury Leave per employee**	**Total Estimated Cost**
	Days	**No.**	**%**	**Days**	**R**
Required basic medical attention only	107	16	N/A	7	1,659,248
Approved Section 24 Cases	9	1		9	1,471,579
Temporary total disablement					
Permanent disablement					
Fatal					
Total	**116**	**17**		**16**	**3,130,827**

Table 4.6: NUMBER OF DAYS AND COST OF SICK LEAVE

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	**Total sick leave** **Days**	**Proportion of sick leave without medical certification** **%**	**Employees using sick leave** **No.**	**Total employees in post*** **No.**	***Average sick leave per Employees** **Days**	**Estimated cost** **R' 000**
Lower skilled (Levels 016-018)	9,319	19,49%	1,260	1,409	6.61	R 2,868,538.16
Skilled (Levels 013-015)	1,430	27,90%	198	224	6.38	R 505,332.41
Highly skilled production (levels 007-012)	12,353	22,97%	1,675	1,451	8.51	R 8,504,543.54
Highly skilled supervision (levels 004-006)	3,172	19,01%	457	420	7.55	R 4,338,639.72
Senior management (Levels 002-003)	147	19,73%	37	41	3.59	R 474,234.95
MM and S57	5	0,00%	2	8	0.63	R 39,214.95
Total	26,426	18,18%	3,629	3,553	33.27	R 16,730,503.73

Injuries: The **classification** under type of injury does not clearly make provision to capture serious injury on duty cases, where the injured was of duty 14 days or longer some up to 6 months, but the employee returned to his work after rehabilitation. Therefore we added another classification namely, **approved Section 24 cases**.

The **total estimated cost** not only includes the injury on duty cases, but also the sundry payments for injury on duty pensioners. Furthermore cognisance should be taken that an injury on duty case run over a two year period and whilst the injury on duty date was not in the financial year cost can still be payable in the next year

Steps taken to reduce injuries on duty:

a) In the past year 546 employees attended video screening session where various topics can be selected from and the screening is done in their own language
b) We have developed over 400 safety talks and for the past year 2242 employees attended safety talks sessions
c) MMM also developed a course for semi-skilled employees and 198 employees attended the training
d) Site inspections are also carried out from time to time to minimise risk of employees and to comply with legislation
e) Accidents are investigated by line managers to ensure non-recurrence

Examination of injury on duty cases

Examination of injury on duty cases are done by a doctor who treated the patient as determined /required by the Compensation for Occupational Injuries and Diseases act, If the injured was treated by the Doctor at our clinic then that doctor will be responsible for all follow-ups.

Sick Leave: The Human Resources Sub- Directorate submits Sick Leave Absenteeism reports on a quarterly basis to the Office of the City Manager indicating the number of employees who took sick leave as well as the amount of days per Directorate. This report also identifies employees who took sick leave more than twice for the quarter being reported on. A copy of the report is also submitted to the Occupational Health and Wellness Division for further action.

The Mangaung Metropolitan Municipality has appointed a Medical Doctor on a part time basis at the Occupational Health Clinic who attends to the medical needs of lower income workers. The Clinic also issues medication to employees at no cost.

Table 4.7: NUMBER AND PERIOD OF SUSPENSIONS

Number and Period of Suspensions				
Position	**Nature of Alleged Misconduct**	**Date of Suspension**	**Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised**	**Date Finalised**
GM Parks	Negligence and insubordination		It was insubordination – poor work performance. The disciplinary process was finalised and a final written warning was issued to the official	27 November 2013

Table 4.8: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT

Position	**Nature of Alleged Misconduct and Rand value of any loss to the municipality**	**Disciplinary action taken**	**Date Finalised**
GM Fleet Management Fraud		Dismissal	26 July 2013
General worker fleet Management		Dismissal	March 2014

Four suspensions were made relating to negligence and in-subordination and fraud. Disciplinary hearings have been scheduled. Other cases relating to fraudulent overtime and theft are under investigation.

4.2 PERFOMANCE REWARDS

The Employee Reward Programme (ERP) was developed and approved by the City Manager during May 2008, and was duly implemented from the 1st of July 2008. As the ERP was never officially launched since approval, the Executive Director: Corporate Services initiated the official launch of the ERP throughout the municipality during May/June 2009. Due to lack of response, reminders were sent to all concerned Executive Directors on 4 December 2009, followed up by yet another reminder on 22 January 2010. As yet no nomination was received and officially administered.

COMPONENT C: CAPACITATING THE WORKFORCE

One of the key challenges around an integrated process of skills development within the municipality has been a lack of a comprehensive, holistic and integrated framework for human capital development that will guide and integrate key processes such as training needs analysis, career pathing and planning, succession planning, management and leadership development, knowledge exchange and innovation. To this end a draft succession planning policy was developed with a view of consolidating all the key mandatory processes for effective human capital development, ***albeit*** the strategy must go through the internal approval processes that will culminate with Council approval of the document.

During the year under review the municipality also complied with the Skills Development Act requirement of submit to Local Government SETA (LGSETA) the Workplace Skills Plan (WSP) on 30 April 2014. As per legislative requirement, the WSP was consulted with organised labour (IMATU and SAMWU) and both signed off the WSP for submission to the LGSETA.

Table 4.9: FINANCIAL COMPETENCY DEVELOPMENT

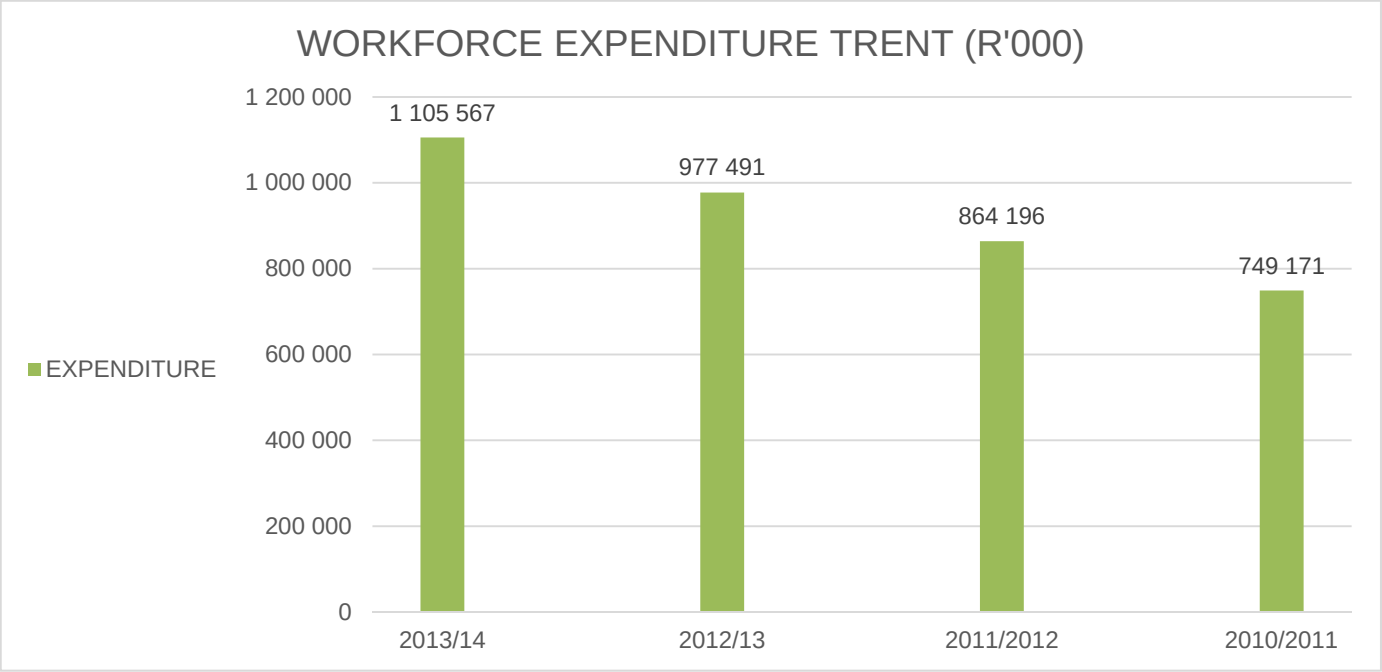
Financial Competency Development: Progress Report*						
Description	**A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))**	**B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)**	**Consolidated: Total of A and B**	**Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))**	**Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))**	**Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))**
Financial Officials						
Accounting officer	1	1	2	0	0	1
Chief financial officer	1	1	2	0	0	0
Senior managers	8	6	14	0	0	1
Any other financial officials	125	10	135	10	2	88
Supply Chain Management Officials						
Heads of supply chain management units	1	1	2	1	0	1
Supply chain management senior managers	3	1	4	2	0	2
TOTAL	**139**	**20**	**159**	**13**	**2**	**93**

In line with National Treasury's MFMA Circular No.60, Mangaung Metropolitan Municipality successfully applied for special merit case for the extension of the deadline to meet the minimum competency regulation. This in essence will give the City and opportunity to ensure that all targeted officials of the City undergo assessment process to identify competency gaps and to subsequently undergo training on the prescribed municipal finance SAQA unit standards.

EMPLOYEE EXPENDITURE

It is extremely important to control workforce expenditure since it is one of the largest single expenditure items on the operational budget of the Municipality. Spending is controlled by means of the approved staff establishment and budget control. Expenditure on overtime is limited according to the "Collective Agreement".

Figure 4.1: WORKFORCE EXPENDITURE



CHAPTER 5- FINANCIAL PERFORMANCE

5.1 STATEMENT OF FINANCIAL PERFORMANCE

The table 5.1.1 below gives an overview of municipal performance against the budget.

Table 5.1.1: RECONCILIATION OF TABLE A1 BUDGET SUMMARY

Description	2013/2014									
R	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9	10
Financial Performance										
Property rates	568,524,000		182,243,000			750,767,000	969,482,446	218,715,446	129%	171%
Service charges	2,932,968,000		51,559,000			2,984,527,000	2,636,832,225	(347,694,775)	88%	90%
Investment revenue	177,902,000		3,000,000			180,902,000	188,877,161	7,975,161	104%	106%
Transfers recognised – operational	654,372,000		53,024,000			707,396,000	933,889,371	226,493,371	132%	143%
Other own revenue	1,161,721,000		(4,254,000)			1,157,467,000	207,467,366	(949,999,634)	18%	18%
Total Revenue (excluding capital transfers and contributions)	**5,495,487,000**		**285,572,000**			**5,781,059,000**	**4,936,548,569**	**(844,510,431)**	**85%**	**90%**
Employee costs	(1,191,122,000)		20,744,000			(1,170,378,000)	(1,077,816,886)	92,561,114	92%	90%
Remuneration of councillors	(49,886,000)					(49,886,000)	(47,106,731)	2,779,269	94%	94%
Debt impairment	(260,837,000)		85,000,000			(175,837,000)	(594,567,509)	(418,730,509)	338%	228%
Depreciation & asset impairment	(449,583,000)		19,000,000			(430,583,000)	(388,851,807)	41,731,193	90%	86%
Finance charges	(200,445,000)		1,700,000			(198,745,000)	(70,144,989)	128,600,011	35%	35%

Description	2013/2014									
R	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9	10
Materials and bulk purchases	(1,912,267,000)		(44,286,000)			(1,956,553,000)	(1,752,027,733)	204,525,267	90%	92%
Transfers and grants	(121,889,000)		(8,000,000)			(129,889,000)	(11,070,710)	118,818,290	9%	9%
Other expenditure	(1,182,444,000)		(124,807,000)			(1,307,251,000)	(829,453,241)	477,797,759	63%	70%
Total Expenditure	**(5,368,473,000)**		**(50,649,000)**			**(5,419,122,000)**	**(4,771,039,606)**	**648,082,394**	**88%**	**89%**
Surplus/(Deficit)	**127,014,000**		**234,923,000**			**361,937,000**	**165,508,963**	**(196,428,037)**	**46%**	**130%**
Transfers recognised – capital	686,388,000		176,034,000			862,422,000	788,893,404	(73,528,596	91%	115%
Contributions recognised - capital & contributed assets	11,888,000		5,788,000			17,676,000	-	17,676,000	0%	0%
Surplus/(Deficit) after capital transfers & contributions	**825,290,000**		**416,745,000**			**1,242,035,000**	**954,402,367**	**(287,632,633)**	**77%**	**116%**
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	**825,290,000**		**416,745,000**			**1,242,035,000**	**954,402,367**	**(287,632,633)**	**77%**	**116%**
Capital expenditure & funds sources										
Capital expenditure										

Description	2013/2014									
R	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9	10
Transfers recognised – capital	686,388,000		169,894,000			856,282,000	772,797,671	(67,388,150)	(10%)	(12%)
Public contributions & donations	11,888,000		5,788,000			17,676,000	25,246,000	(17,676,161)	43%	64%
Borrowing	36,684,000		2,722,000			39,406,000	28,772,000	(10,633,944)	(27%)	(29%)
Internally generated funds	131,028,000		247,426,000			378,454,000	232,705,421	(130,083,991)	(39%)	(111%)
Total sources of capital funds	**865,989,000**		**425,829,000**			**1,291,818,000**	**1,059,521,093**	**(232,296,759)**	**(18%)**	**(27%)**
Cash flows										
Net cash from (used) operating	855,629,014		368,371,000			1,224,000,014	1,073,961,731	(150,038,283	88%	126%
Net cash from (used) investing	(637,790,000)		(354,246,000)			(992,036,000)	(1,350,116,028)	(358,080,028)	136%	212%
Net cash from (used) financing	11,393,583		4,500,000			15,893,583	125,276,967	109,383,384	788%	1,100%
Cash/cash equivalents at the year end	**832,235,597**		**(93,886,000)**			**738,349,597**	**452,208,923**	**(286,140,674)**	**61%**	**54%**

The Budget Summary Table is divided into three components namely:

A. Statement of Financial Performance
B. Spending against Capital Budget
C. Other Financial Matters.

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

A. Total Revenue

The municipality achieved 85% of its adjusted revenue budget of R 5, 7 billion for the year. The main variance on the final budget can be attributed to the following:

- Property rates income exceeded the target by 29% (R 218, 7 million), following the implementation of the new valuation roll in the 2013/14 financial year. Favourable variance due to the higher property values following the implementation of the new valuation roll as of 1 July 2013. A total of 7686 objections were received from the new valuation roll which might results in some of the market values as contained in the general valuation roll being adjusted in terms of the objections and appeals processes.
- Service charges underperformed by 12% (R 347, 6 million) mainly due to overestimation of electricity revenue during the Adjustment Budget.
- Other own revenue actual performance is 18% (R 207,4 million) of the Adjustment Budget, mainly due unfavourable movement in the Defined benefit obligation.

B. Total Expenditure

The municipality's actual expenditure stood at R 4, 7 billion, representing 88% of the adjusted expenditure budget of R 5, 4 billion. The main variance on the final budget can be attributed to the following:

- Favourable variance of R92, 5 million (-8%) due to unfilled vacancies. However overtime continues to be a risk factor in the management of pay costs.
- Debt impairment final costs exceeded the budget by 238% (R 418, 7 million), mainly due to the increased uncollectable debt book, after implementation of the new valuation roll.
- Materials and bulk purchases achieved actual outcome of 90% on the final adjustment budget of R 1, 9 billion, an under spending of 10% (R 204, 5 million). The main area of under spending is in respect of other materials.
- Other Expenditure actual spend was 63% of the allocated adjusted budget. The under spending is mainly due to underperformance in several items like amounts charged out for fuel costs, rental of internal vehicles, and inter-departmental charges.

C. Surplus / (Deficit)

The surplus achieved only 46% (R165, 5 million) of the adjusted budget of R361, 9 million. Surplus/ (Deficit) after capital transfers and contributions only achievement was 77% of the targeted amount of R1, 2 billion. The variance is mainly an underperformance on other revenue for the year.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

The actual spending on the capital expenditure is R 1 billion, representing 82% of the Adjustment Budget for 2014 (R1, 2 billion). The greater area of under spending as per the funding source is on projects financed through internally generated funds.

COMPONENT C: CASH FLOWS

The municipal cash and investments balances stood at R 452, 2 million, which is R 286, 1 million (39%) less than budget. The main reasons for the decrease in cash and cash equivalents are amongst others:

- Accelerated spending and draw down on borrowings.
- Introduction of cost saving measures and general under spending on repairs and maintenance costs

5.2 GRANTS

A. Operating Grants

Table 5.2.1: OPERATING GRANTS

Grant Performance						
R' 000						
	2012/13	**2013/14**			**Year 0 Variance**	
	Actual	**Budget**	**Adjustments Budget**	**Actual**	**Original Budget**	**Adjustments Budget**
Description					**(%)**	**(%)**
Operating Transfers and Grants						
National Government:	636,412	633,472	667,731	876,594	138%	131%
Equitable share	612,521	605,072	605,072	605,072	100%	100%
Other	23,891	28,400	62,659	28,500	100%	46%
Fuel Levy Grant	0	0	0	243,022	100%	100%
Provincial Government:	7,710	20,900	30,415	5,000	24%	16%
Other	7,710	20,900	30,415	0	0	0
Health Subsidy	-			5,000	100%	100%
District Municipality:	0	0	0		0	0
Motheo – Environmental health grant	0	0	0	0	0	0
						0
Other grant providers:	0	0	9,249	0	0	0
Kellogs Foundation	0	0	249	0	0	0
National Lottery	0	0	8,000	0	0	0
Golden Shield Heritage Award	0	0	1,000	0	0	0
Other	0	0	0	0	0	0
Total Operating Transfers and Grants	644,119	654,372	707,395	881,594	135%	125%

The municipality is a recipient of the Operating Grants and Subsidies from the National and Provincial Government's respectively. For the reporting period the actual spending against the adjusted budget is 125%. The variance could be attributed to Fuel Levy Grant that was not included in the budget. The Equitable Share grant contributes 69% of the total grant of R 605 million received. The National Government's contribution into the operating grants kitty is 99%.

B. Capital Grants

The adjusted total capital expenditure budget stood at R 1, 2 billion, with the National Government's contribution being 60%. The major grant source is the Urban Settlement Development Grant at R 726 million. The actual grant received for the year is 76%.

Table 5.2.2: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG for 2013/14						
	R'000					
Details	**Original Budget**	**Adjustments Budget**	**Actual**	**Variance**		**Major conditions applied by donor (continue below if necessary)**
				Original Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	0	0	0			
Public Transport Infrastructure and Systems Grant	0	0	20,000	100%	100%	
Other Specify:						
Urban Settlement Development Grant	596,719	726,169	596,719	100%	82%	
Environmental Impact Assessment Grant						
EPWP Incentive Grant	3,896	2,198	3,896	100%	177%	
MSIG						
Minerals and Energy	42,000	42,000	42,000	100%	100%	
Water Conservation Grant			7,129	100%	100%	
Department of Water Affairs			6,900	100%	100%	
Electricity Demand Management			8,000	100%	100%	
National Government	642,615	778,368	684,644	107%	88%	
Provincial Government	43,773	83,469	100,000	228%	120%	
Human Settlements	43,773	76,830	100,000	228%	130%	
Sports and Recreation	0	6,639	0	0	0	
Other Grants	0	585	304	100%	52%	
Total	**686,388**	**862,422**	**784,948**	**114%**	**91%**	

5.3 REPAIRS AND MAINTENANCE

Table 5.3.1: REPAIRS AND MAINTENANCE

Repair and Maintenance Expenditure: Year 2013/14				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	309,900	354,186	226,432	127,754

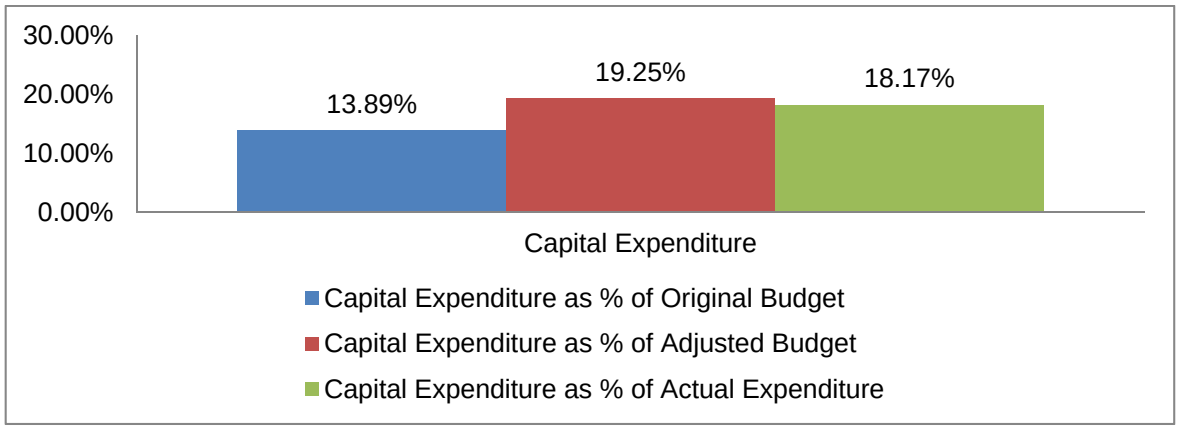
Repairs and Maintenance Budget constituted 5, 8% of the original budget for 2013/14 and 6, 5% of the Adjustment Budget of R 5, 4 billion. The municipality has only spent *64%* of its allocated adjusted budget, thus under spending by R 127, 7 million. The trend in spending on this line item over the period, as a percentage of total expenditure is as follows:

Year	Total Expenditure	Repairs & Maintenance	% Spending
	R'000	R'000	
2009/10	2,697,932	132,939	4.93%
2010/11	2,852,404	93,253	3.27%
2011/12	3,821,255	177,973	4.66%
2012/13	3,936,312	161,778	4.11%
2013/14	4,712,536	226,432	4.80%

5.4 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

Table 5.4.1: CAPITAL EXPENDITURE

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total
Capital Expenditure	865, 989	1,291,818	1,059,521
Operating Expenditure	5,368,473	5,419,122	4,771,040
Total expenditure	**6,234,462**	**6,710,640**	**5,830,561**
Capital Expenditure %	**13.89%**	**19.25%**	**18.17%**



The gross municipal expenditure budget, incorporating the operating and capital budget was set at R 6, 7 billion for 2013/14, following the adjustment budget. Capital expenditure budget constituted 19.25% of the gross expenditure the adjustment budget. For the year ended 30 June 2014, capital expenditure was R 1 billion of the gross expenditure amount of R 5.8 billion. Thus taking up only 18% of the total expenditure.

A. Sources of Funding

For the year under review, the municipality's adjusted expenditure budget of R1, 2 billion was funded out of mainly four sources. These are:

1. External loans to the extent of R 39, 4 million for financing of mainly long-term infrastructure projects and the yellow fleet. The actual spending for the year was R 28, 7 million.
2. Public contributions and donations for R 17, 6 million and R25, 2 million was spent.
3. Grants and subsidies amounting to R 856, 2 million was budgeted. Some of the funds budgeted were rolled over from the 2012/13 financial year. 90% of allocated grant funding was utilized was spent as at 30 June 2014. The unspent portion of the grant is ring-fenced in the investments portion of the Cash and Cash Equivalents and as a liability as Unspent conditional grants.
4. Other sources of funds are funds generated out of surplus funds from the working capital. The entire budget funds from own funds were utilized.

Table 5.4.2: CAPITAL EXPENDITURE FUNDING SOURCES

Capital Expenditure Funding Sources							
	R						
	Year - 2012/2013	Year 2013/2014					
	Actual	Original Budget (OB)	Adjustment Budget (AB)	Actual	Variance	Actual to AB Variance (%)	Adjustment to OB Variance (%)
Source of finance							
External loans	87,763,133	36,684,148	39,405,944	28,772,000	(10,633,944)	(27%)	7%
Public contributions and donations	20,543,491	11,888,364	17,676,161	25,246,000	(17,676,161)	43%	49%
Grants and subsidies	614,036,906	686,387,781	856,281,554	772,797,671	(67,388,150)	(10%)	25%
Other	105,430,783	131,028,415	378,454,193	232,705,421	(130,083,991)	(39%)	189%
Total	827,774,313	865,988,708	1,291,817,852	1,059,521,093	(232,296,759)	(18%)	49%
Percentage of finance							
External loans	10.60%	4%	3%	2%			
Public contributions and donations	2.48%	1%	1%	0%			
Grants and subsidies	74.18%	79%	66%	74%			
Other	12.74%	15%	29%	23%			
Capital expenditure							
Water and sanitation	268,642,880	178,388,000	289,833,179	249,009,469	(40,823,710)	(14%)	62%
Electricity	240,534,343	156,588,364	262,587,389	224,426,894	(38,160,495)	(15%)	68%
Roads and storm water	189,974,015	116,592,388	152,140,486	96,975,704	(55,164,782)	(36%)	30%

Capital Expenditure Funding Sources							
	R						
	Year - 2012/2013	Year 2013/2014					
	Actual	Original Budget (OB)	Adjustment Budget (AB)	Actual	Variance	Actual to AB Variance (%)	Adjustment to OB Variance (%)
Other	124,962,660	414,419,956	587,256,798	489,109,026	(98,147,772)	(17%)	42%
Total	827,747,373	865,988,708	1,291,817,852	1,059,521,093	(232,296,759)	(18%)	49%
Percentage of expenditure							
Water and sanitation	32.45%	20.60%	22.44%	23.50%			
Electricity	29.06%	18.08%	20.33%	21.18%			
Roads and storm water	22.95%	13.46%	11.78%	9.15%			
Other	15.10%	47.86%	45.46%	46.16%			

B. Projects Funded.

Funds earmarked for capital expenditure programmes are used mainly to address basic community service delivery expectation of water and sanitation, electricity, roads and storm-water. (***See table 5.4.2 for actual spending***).

At year end only 82%of the adjustment budget of R1, 2 billion was spend. The budget was thus under spending by 18% using a conservative 95% benchmark completion target. The underperformance can be attributed to mainly late planning and implementation of projects and excessive upward adjustment of the capital budget during the 2013/14 adjustment budget. The budget was increased by 49% (R 425.8 million) to R 1, 2 billion for the year under review.

C. Capital Spending on 5 Largest Projects

Funds amounting to R 278, 1 million from the adjusted budget of R 1, 2 billion were spent on the five largest projects as detailed on table 5.4.3.

Table 5.4.3: CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	**Current: Year 2013/14**			**Variance: Current Year 2013/14**	
	Original Budget	**Adjustment Budget**	**Actual Expenditure**	**Original Variance (%)**	**Adjustment variance (%)**
A - NORTH EASTERN-WWTW (15ML/DAY)	70,480	108,180	100,340	42%	-7%
B - RESEALING OF STREETS	20,000	62,420	62,262	211%	0%
C - VEHICLES – CENTLEC	0	49,000	37,786	0	-23%
D - SERVICES RETICULATION OF MMM LAND	42,835	41,185	41,032	-4%	0%
E - UPGRADING OF MASELSPOORT PUMP SUPPLY	18,000	38,171	36,687	104%	-4%

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current: Year 2013/14			Variance: Current Year 2013/14	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
** Projects with the highest capital expenditure in Year 2013/20140*					
Name of Project - A					
Objective of Project	Expansion of the existing Sterkwater sewage treatment plant.				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Availability of clean water.				
Name of Project - B					
Objective of Project	Ensuring safe and trafficable roads within the municipality				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Enhanced service delivery				
Name of Project - C					
Objective of Project	Procurement of fleet to enhance service delivery.				
Delays	Procurement processes				
Future Challenges	None				
Anticipated citizen benefits	In house infrastructure maintenance, to enhance service delivery.				
Name of Project - D					
Objective of Project	Ensuring serviced stands and enhanced revenue for the City				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Access to basic services				
Name of Project - E					
Objective of Project	Increase water pumping capacity from the Maselspoort plant.				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Steady flow of water from the purification plant.				

D. Capital Expenditure by Class

Appendix Capital M-(II) provides an overview of Capital Expenditure by Asset Class and it is broken down into New Asset Programme and Upgrade/Renewal Programme.

In terms of the budget spent on new assets acquired/included in the municipal asset register amounted to R 707 million. Whereas maintenance of existing infrastructure and facilities cost ***R352, 4 million***.

5.5 COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

The audited cash flow outcome of R 452 million for 2013/14 indicates a decline of 25% from the June 2013 balance of R 603 million. This could be attributed to accelerated spending on capital projects during the 2013/14 financial year.

Table 5.5.1: CASH FLOW OUTCOMES

Cash Flow Outcomes				
R'000				
Description	**2013**	**Current: Year 2014**		
	Audited Outcome	**Original Budget**	**Adjusted Budget**	**Actual**
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	3,068,931	4,206,726	4,566,729	2,953,182
Government – operating	1,385,852	654,372	707,395	1,640,964
Government – capital	–	686,388	720,576	0
Interest	31,551	317,403	320,403	168,282
Dividends				
Payments				
Suppliers and employees	-3,635,342	-4,686,926	-4,762,469	3,647,693
Finance charges	-	-200,445	-198,745	-40,774
Transfers and Grants	-	-121,889	-129,888	0
NET CASH FROM/(USED) OPERATING ACTIVITIES	850,992	855,629	1,224,000	1,073,962
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		1	1	
Decrease (Increase) in non-current debtors				20,595
Decrease (increase) other non-current receivables		55,000	55,000	-186,163
Decrease (increase) in non-current investments				
Payments				
Capital assets	-784,846	-692,791	-1,047,037	-1,184,548
NET CASH FROM/(USED) INVESTING ACTIVITIES	-784,846	-637,790	-992,036	-1,350,116
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing	195,095	40,394	44,894	12,778
Increase (decrease) in consumer deposits		6,000	6,000	1,307
Payments				

Cash Flow Outcomes				
R'000				
Description	2013	Current: Year 2014		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Repayment of borrowing		-35,000	-35,000	111,192
NET CASH FROM/(USED) FINANCING ACTIVITIES	195,095	11,394	15,894	125,277
NET INCREASE/ (DECREASE) IN CASH HELD	173,850	229,233	247,858	-150,877
Cash/cash equivalents at the year begin:	341,761	603,003	490,492	603,086
Cash/cash equivalents at the year-end:	603,003	832,236	738,350	452,209

5.6 BORROWING AND INVESTMENTS

A. Actual Borrowings.

Table 5.6.1: ACTUAL BORROWINGS – YEAR 2011/2012 TO YEAR 2013/2014

Actual Borrowings: Year -2011/12 to Year 2013/14			
R' 000			
Instrument	**Year - 2012**	**Year - 2013**	**Year 2014**
Municipality			
Long-Term Loans (annuity/reducing balance)	62,087	179,086	191,863
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases	5,468	7,156	143,211
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	67,555	186,242	335,074
Municipal Entities			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases	566	383	305
PPP liabilities			
Finance Granted By Cap Equipment Supplier			

Actual Borrowings: Year -2011/12 to Year 2013/14			
R' 000			
Instrument	**Year - 2012**	**Year - 2013**	**Year 2014**
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Entities Total	566	383	305
Total	68,121	186,625	335,379

The consolidated municipal borrowing have grown on a yearly basis from a low position **of R 25,543 million in June 2011, to a current position of R 191,863 million in 2014**. The parent municipality is net borrower of the long-term loans to date to the value of R 191,863 million. The funds were used mainly for infrastructure projects, being water reticulation, reservoirs and road and storm-water projects.

Investments

Table 5.6.2: MUNICIPAL AND ENTITY INVESTMENTS

Municipal and Entity Investments			
R' 000			
Investment* type	**Year -2011/12**	**Year -2012/13**	**Year - 2013/14**
	Actual	**Actual**	**Actual**
Municipality			
Securities - National Government			
Listed Corporate Bonds			
Deposits – Bank	130,497	204,062	99,321
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
Municipality sub-total	130,497	204,062	99,321
Municipal Entities			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	0	225,246	280,207
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
Entities sub-total	0	225,246	280,207
-			
Consolidated total:	130,497	429,308	379,528

The consolidated investments balance has decreased from position of R 429, 3 million in 2012/13 to R 379, 5 million as at 30 June 2014. The municipality is still having a challenge of increasing its investment portfolio; to provide a cushion for the reserves and funds that are not cash-backed.

Chapter 6 - AUDITOR GENERAL REPORTS 2013/2014

6.1. AUDITOR GENERAL REPORTS 2013/2014

The Report of the Auditor-General to the Free State Legislature and the Council on the Mangaung Metropolitan Municipality on the Consolidated Financial Statements for the year ending 2014, the Mangaung Metropolitan Municipality stand-alone Financial Statements and the entity, Centlec (Soc) Limited Financial Statements are hereto attached.

The City has developed a comprehensive Audit Action Plan that is informed by the Management Report of the Auditor General to deal with all the audit report and other matters.

Critically the Audit Action Plan indicates corrective action that will be implemented to insure that audit report and other matters do not recur.

A project management approach and institutional arrangements have been established for following through the corrective action, develop reports thereon and inform oversight institutions – the Municipal Public Accounts Committee, the Audit Committee and Council.

The Audited Mangaung Metropolitan Municipality Consolidated Annual Financial Statements, Mangaung Metropolitan Municipality stand- alone Annual Financial Statements and Centlec (Soc) Limited Annual Financial Statements for the year ended 30 June 2014 are hereto attached as Volume II

COMPONENT A: AUDITOR-GENERAL OPINION OF CONSOLIDATED FINANCIAL STATEMENTS 2013/14

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MANGAUNG METROPOLITAN MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated financial statements of the Mangaung Metropolitan Municipality and its municipal entity set out on pages xx to xx, which comprise the consolidated statement of financial position as at 30 June 2014, the consolidated statement of financial performance, statement of changes in net assets, cash flow statement, 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.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Mangaung Metropolitan Municipality and its municipal entity as at 30 June 2014 and their financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in notes 55 and 56 to the consolidated financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during the 2013-14 financial year in the consolidated financial statements of the municipality at, and for the year ended, 30 June 2013.

Material losses

9. As disclosed in note 66 to the consolidated financial statements, material water losses amounting to R117 245 213 (2013: R116 966 482) were incurred mainly due to burst water pipes, leakages and unmetered water sites while electricity losses amounting to 237 761 593 kWh (2013: 204 919 232 kWh) to the value of R152 417 857 (2013: R193 265 509) were incurred mainly due to tampering with electricity meters, electricity connections which form part of illegal consumption and faulty meters.

Material impairments

10. As disclosed in note 8 to the consolidated financial statements, a provision for debt impairment to the amount of R66 199 957 (99,7%) (2013: R66 671 129) (99,3%) was made with regard to housing selling scheme loans, erven loans, vehicle loans, study loans and the cricket stadium amounting to R66 379 135 (2013: R67 165 469).

11. As disclosed in note 11 to the consolidated financial statements, a provision for debt impairment to the amount of R81 327 862 (74,4%) (2013: R40 260 398) (44,6%) was made with regard to amounts owed to the municipality in respect of commercial rental income and other miscellaneous services rendered by the municipality amounting to R109 259 565 (2013: R90 292 128).

12. As disclosed in note 14 to the consolidated financial statements, a provision for debt impairment to the amount of R1 411 418 405 (71,7%) (2013: R1 255 533 478) (69,7%) was made with regard to amounts owed to the

municipality in respect of water services, electricity services, sanitation services and housing rental amounting to R1 968 275 364 (2013: R1 800 084 734).

13. As disclosed in note 15 to the consolidated financial statements, a provision for debt impairment to the amount of R376 933 296 (52,0%) (2013: R322 537 417) (73,9%) was made with regard to amounts owed to the municipality in respect of property rates amounting to R724 871 609 (2013: R436 569 652).

Unauthorised expenditure

14. As disclosed in note 60 to the consolidated financial statements, the municipality incurred unauthorised expenditure of R498 003 019 (2013: R19 535 661) in the year under review because it exceeded the limits of the amounts provided for in the votes of the approved budget.

Irregular expenditure

15. As disclosed in note 62 to the consolidated financial statements, irregular expenditure amounting to R46 980 591 (2013: R85 403 986) was incurred during the year under review due to non-compliance with supply chain management regulations.

Service delivery

16. Included in the cost of buildings as disclosed in note 5 to the consolidated financial statements, is a capital spending amount of R351 906 448 (2013: R351 906 448) that relates to the intermodal public transport facility. The construction of the facility was finalised but the facility has not been occupied to date due to disagreements between the taxi industry and the council.

Additional matter

17. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

18. 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

19. 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 selected objectives presented in the annual performance report, non-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.

<u>Predetermined objectives</u>

20. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Key performance area (KPA) 1: Poverty eradication, rural and economic and job creation on pages xx to xx
- KPA 3: Environmental management on pages xx to xx

- KPA 4: Spatial development and built environment on pages xx to xx
- KPA 5: Eradication of bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security on pages xx to xx
- KPA 7: Social and community services on pages xx to xx
- KPA 8: Financial management on pages xx to xx
- KPA 9: Human Settlements on pages xx to xx
- KPA 10: Good Governance on pages xx to xx.

21. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

22. 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 was consistent with the planned 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* (FMPPI).

23. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

24. The material findings in respect of the selected objectives are as follows:

KPA 1: Poverty eradication, rural and economic and job creation

Reliability of reported performance information

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work because the municipality could not provide sufficient appropriate evidence in support of the reported performance information.

KPA 3: Environmental management

26. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 4: Spatial development and built environment

27. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 5: Eradication of the bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security

Usefulness of reported performance information

28. The FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 43% of the significantly important targets were not specific.
- Performance targets must be measurable. I could not measure the required performance for 32% of the significantly important targets.

- The period or deadline for delivery of targets must be specified. A total of 51% of the significantly important targets were not time bound.
- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 60% of the significantly important indicators were not well defined.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator/measure. A total of 29% of the significantly important indicators were not verifiable.

29. This was due to a lack of proper systems and processes for performance planning and management to provide for the development of performance indicators and targets included in the annual service delivery and implementation plan.

Reliability of reported performance information

30. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work because the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

KPA 7: Social and community services

31. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 8: Financial management

32. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 9: Human settlements

Reliability of reported performance information

33. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work because the municipality could not provide sufficient appropriate evidence in support of the reported performance information.

KPA 10: Good governance

34. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

Additional matters

35. I draw attention to the following matters:

Achievement of planned targets

36. Refer to the annual performance report on pages x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives reported in paragraphs x to xx of this report.

Adjustment of material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing in the reported performance information of KPA 1: Poverty eradication, rural and economic and job creation; KPA 4: Spatial development and built environment; KPA 5: Eradication of bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security; KPA 7: Social and community services; and KPA 9: Human settlements. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

38. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Budgets

39. Expenditure 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.

Annual financial statements, performance and annual reports

40. The consolidated financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, cash flow statement, budget disclosures and other disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

41. The oversight report, containing comments on the annual report, was not adopted by the council within two months from the date on which the 2012-13 annual report was tabled, as required by section 129(1) of the MFMA.

Expenditure management

42. Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

43. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Conditional grants

44. The municipality did not evaluate its performance in respect of programmes funded by the Public Transport Infrastructure allocation, as required by section 12(5) of the DoRA.

Asset management

45. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

46. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Internal control

47. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

48. Due to the lack of an automated management information system for performance reporting and the slow response to internal and external audit findings, adequate evidence was not kept to support the reported information in the quarterly, mid-year and annual performance reports.

Financial and performance management

49. The asset controllers of the different directorates within the municipality did not on a monthly basis compare the physical assets within their directorates to the asset listings kept at the respective offices. In addition, inadequate communication and document distribution between the different directorates and the finance division resulted in information in the asset registers relating to the physical location of the assets not being updated on a regular basis.

50. Inadequate communication between the different directorates resulted in incomplete and inaccurate financial reporting relating to future contractual commitments and capital projects in progress. The finance division also did not perform adequate review functions to substantiate the completeness and accuracy of the commitment register, which resulted in adjustments to the annual financial statements.

51. Inadequate staff in the engineering department and the organisational performance management sub-directorate resulted in processes to manage, coordinate and monitor the performance systems and procedures not being effective. As a result, attempts to gather and compile information to support actual performance reported started late and such information could not be provided in time for audit purposes. This resulted in the report on predetermined objectives being subject to material adjustments.

OTHER REPORTS

Investigations

52. Fourteen investigations relating to alleged theft, financial corruption, fraud, tender irregularities and non-compliance with municipal supply chain management regulations by the council employees were finalised during the year. The investigations resulted in the suspension of and criminal proceedings being instituted against municipal officials.

53. Six investigations relating to alleged theft, financial corruption, fraud, tender irregularities and non-compliance with municipal supply chain management regulations were still in progress at year-end.

Auditor - General

Bloemfontein

14 January 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

COMPONENT B: AUDITOR-GENERAL OPINION OF MANGAUNG METROPOLITAN STAND ALONE FINANCIAL STATEMENTS 2013/14

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MANGAUNG METROPOLITAN MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Mangaung Metropolitan Municipality set out on pages xx to xx, 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, 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.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 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 the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 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 Mangaung Metropolitan Municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Significant uncertainties

8. With reference to note 52 to the financial statements, the municipality is disputing the amounts invoiced by its municipal entity in respect of electricity consumption for public lighting and all municipally owned properties, and for repairs and maintenance for public lighting. The ultimate outcome of the matters cannot currently be determined and no provision for any liability that may result has been made in the financial statements. The possible outflow amounts to R198 936 699 (2013: R105 929 549.)

Restatement of corresponding figures

9. As disclosed in notes 54 and 55 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during the 2013-14 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2013.

Material losses

10. As disclosed in note 65 to the financial statements, material water losses amounting to R117 245 213 (2013: R116 966 482) were incurred by the municipality mainly due to burst water pipes, leakages and unmetered water sites.

Material impairments

11. As disclosed in note 10 to the financial statements, a provision for debt impairment to the amount of R66 199 957 (99,7%) (2013: R66 671 129) (99,3%) was made with regard to housing selling scheme loans, erven loans, vehicle loans, study loans and the cricket stadium amounting to R66 379 135 (2013: R67 165 469).

12. As disclosed in note 13 to the financial statements, a provision for debt impairment to the amount of R81 327 862 (74,4%) (2013: R40 260 398) (44,6%) was made with regard to amounts owing to the municipality in respect of commercial rental income and other miscellaneous services rendered by the municipality amounting to R109 259 565 (2013: R90 292 128).

13. As disclosed in note 15 to the financial statements, a provision for debt impairment to the amount of R1008 906 128 (72,6%) (2013: R877 904 528) (74,4%) was made with regard to amounts owing to the municipality in respect of water services, sanitation services and housing rentals rendered by the municipality amounting to R1 390 447 907 (2013: R1 179 240 750).

14. As disclosed in note 16 to the financial statements, a provision for debt impairment to the amount of R376 933 296 (52,0%) (2013: R322 537 417) (73,9%) was made with regard to amounts owing to the municipality in respect of property rates amounting to R724 871 609 (2013: R436 569 652).

Unauthorised expenditure

15. As disclosed in note 59 to the financial statements, the municipality incurred unauthorised expenditure of R498 003 019 (2013: R19 535 661) in the year under review due to expenditure incurred that exceeded the limits of the amounts provided for in the votes of the approved budget.

Irregular expenditure

16. As disclosed in note 61 to the financial statements, the municipality incurred irregular expenditure of R9 004 641 (2013: R10 239 733) in the year under review due to non-compliance with supply chain management regulations.

Service delivery

17. Included in the cost of buildings as disclosed in note 5 to the financial statements, is a capital spending amount of R351 906 448 (2013: R351 906 448) that relates to the intermodal public transport facility. The construction of the

facility was finalised but to date the facility has not been occupied due to disagreements between the taxi industry and the council.

Additional matter

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

19. 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

20. 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 selected objectives presented in the annual performance report, non-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

21. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
    - Key Performance Area (KPA) 1: Poverty eradication, rural and economic and job creation on pages xx to xx
    - KPA 3: Environmental management on pages xx to xx
    - KPA 4: Spatial development and built environment on pages
    - KPA 5: Eradication of bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security on pages
    - KPA 7: Social and community services on pages
    - KPA 8: Financial management on pages
    - KPA 9: Human Settlements on pages
    - KPA 10: Good Governance on pages
22. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
23. 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 was consistent with the planned 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* (FMPPI).
24. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
25. The material findings in respect of the selected objectives are as follows:

KPA 1: Poverty eradication, rural and economic and job creation

Reliability of reported performance information

26. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the fact that the municipality could not provide sufficient appropriate evidence in support of the reported performance information.

KPA 3: Environmental management

27. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 4: Spatial development and built environment

28. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 5: Eradication of the bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security

Reliability of reported performance information

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 41.4% of the targets to assess the reliability of the reported performance information. The municipality's records did not permit the application of alternative audit procedures and limitations placed on the scope of my work by the municipality.

KPA 7: Social and community services

30. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 8: Financial management

31. I did not raise any material findings on the usefulness and reliability of the reported performance information for this KPA.

KPA 9: Human Settlements

Reliability of reported performance information

32. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the fact that the municipality could not provide sufficient appropriate evidence in support of the reported performance information.

KPA 10: Good Governance

33. I did not raise any material findings on the usefulness and reliability of the reported performance information for

this KPA.

Additional matters

34. I draw attention to the following matters:

Achievement of planned targets

35. Refer to the annual performance report on pages x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information for the selected objectives reported in paragraphs x to xx of this report.

Adjustment of material misstatements

36. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of KPA 1: Poverty eradication, rural and economic and job creation, KPA 4: Spatial development and built environment, KPA 5: Eradication of bucket system, VIP toilets in Botshabelo, Mangaung and Thaba Nchu, focus on the basics, building solar farming, power plant feasibility study, safety and security, KPA 7: Social and community services and KPA 9: Human Settlements. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information.

Compliance with legislation

37. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Budgets

38. Expenditure 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.

Annual financial statements, performance and annual reports

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, cash flow statement, budget disclosures and other disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

40. The oversight report, containing comments on the annual report, was not adopted by the council within two months from the date on which the 2012-13 annual report was tabled, as required by section 129(1) of the MFMA.

Expenditure management

41. Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

42. The performance of contractors or providers was not monitored on a monthly basis, as required by section

116(2)(b) of the MFMA.

Conditional grants

43. The municipality did not evaluate its performance in respect of programmes funded by the Public Transport Infrastructure allocation, as required by section 12(5) of the DoRA.

Asset management

44. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

45. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Internal control

46. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

47. Due to the lack of an automated management information system for performance reporting and the slow response to internal and external audit findings, adequate evidence were not kept to support the reported information in the quarterly, mid-year and annual performance reports.

Financial and performance management

48. The asset controllers of the different directorates within the municipality did not on a monthly basis compare the physical assets within their directorates to the asset listings kept at the respective offices. In addition, inadequate communication and document distribution between the different directorates and the finance division resulted in information in the asset registers relating to the physical location of the assets not being updated on a regular basis.

49. Inadequate communication between the different directorates resulted in incomplete and inaccurate financial reporting relating to future contractual commitments and capital projects in progress. The finance division also did not perform adequate review functions to substantiate the completeness and accuracy of the commitment register which resulted in adjustments to the annual financial statements.

50. Inadequate staff in the engineering department and the organisational performance management sub-directorate resulted in processes to manage, co-ordinate and monitor the performance systems and procedures not being effective. As a result, attempts to gather and compile information to support actual performance reported started late and could not be provided in time for audit purposes. This resulted in the report on predetermined objectives being subject to material adjustments.

OTHER REPORTS

Investigations

51. Fourteen investigations relating to alleged theft, financial corruption, fraud, tender irregularities, and non-compliance with municipal SCM regulations by the council employees were finalised during the year. The investigations resulted in the suspension of and criminal proceedings being instituted against municipal officials.

52. Six investigations relating to alleged theft, financial corruption, fraud, tender irregularities, and non-compliance with municipal SCM regulations were still in progress at year end.

Auditor - General

Bloemfontein

30 November 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

COMPONENT C: AUDITOR-GENERAL OPINION OF CENTLEC (SOC) LIMITED FINANCIAL STATEMENTS 2013/14

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL OF THE PARENT MUNICIPALITY ON CENTLEC (SOC) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Centlec (SOC) Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and 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.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards GRAP) and the requirements of the Municipal Finance Management Act of South Africa 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 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 Centlec (SOC) Limited 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 the Companies Act.

Emphasis of matters

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

Significant uncertainties

8. With reference to note 8 to the financial statements, the entity has charged the parent municipality an amount of R204 242 014 (2013: R114 127 152), included in this amount is an amount of R198 936 699 (2013: 105 929 549) that the parent municipality was disputing, which related to the amounts invoiced by the entity in respect of electricity consumption for public lighting, all municipal owned properties, and for repairs and maintenance for public lighting. The ultimate outcome of the matters cannot currently be determined and no provision for the contingent asset has been made.

Irregular expenditure

9. Disclosed in note 50 to the financial statements is the irregular expenditure incurred during the year amounting to R37 975 950 (2013: R75 164 235), which was mainly as a result of competitive bidding processes not followed. In addition, the full extent of the irregular expenditure was still in the process of being determined.

Restatement of corresponding figures

10. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during the 2013-14 financial year in the financial statements of Centlec (SOC) Limited at, and for the year ended, 30 June 2013.

Material impairments

11. As disclosed in note 6 to the financial statements, a provision for bad debt amounting to R402 512 277 (2013: R377 628 950) has been made with regard to consumer debts amounting to R765 470 061 (2013: R725 558 274).

Material losses

12. As disclosed in note 51 to the financial statements, material electricity losses amounting to 237 761 593 KWh with a value of R152 417 857 (2013: R193 265 509) were incurred by the municipal entity mainly due to tampering of electricity meters, electricity connections which form part of illegal consumption and faulty meters.

Material underspending of the budget

13. As disclosed in the appropriation statement, the entity has materially underspend on its budget to the amount of R279 435 583. This was mainly due to reduction in the power supply needed, which in turn led to reduced bulk purchases and also vacancies which were anticipated to be filled but were not filled because the human resource structure was not finalised as at 30 June 2014.

Additional matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

15. In terms of section 125(2) (e) of the MFMA, the municipal entity 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-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

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported information for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2014:

    - Vote: Engineering wires on pages xx to xx
    - Vote: Engineering retail on pages xx to xx

18. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

19. 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 was consistent with the planned development priorities. 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* (FMPPI).

20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the selected objectives are as follows:

Engineering wires

Usefulness of reported performance information

22. The FMPPI requires the following:

    - Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 81% of the targets were not specific.
    - Performance targets must be measurable. I could not measure the required performance for 86% of the targets.
    - Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 90% of the indicators were not well defined.
    - The period or deadline for delivery of targets must be specified. A total of 100% of the targets were not time bound.
    - Performance information must be verifiable, meaning that it must be possible to validate the processes and systems that produce the indicator. A total of 62% of the indicators were not verifiable.

    This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles. Furthermore, management did not have the standard operating procedures for the accurate recording of actual achievements and technical indicator descriptions for accurate measurement, recording and monitoring of performance and also lack of capacity in the performance reporting section.

Reliability of reported performance information

23. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable supporting evidence could not be provided for 26.3% of the targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures and due to limitations placed on the scope of my work by the auditee because supporting documentation and information to substantiate performance reported could not be submitted.

Engineering retail

Usefulness of reported performance information

24. The FMPPI requires the following:
    - Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 50% of the targets were not specific
    - Performance targets must be measurable. I could not measure the required performance for 22% of the targets.
    - Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 83% of the indicators were not well defined.
    - The period or deadline for delivery of targets must be specified. A total of 58% of the targets were not time bound.
    - Performance information must be verifiable, meaning that it must be possible to validate the processes and systems that produce the indicator. A total of 31% of the indicators were not verifiable

    This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles. Furthermore, management did not have the standard operating procedures for the accurate recording of actual achievements and technical indicator descriptions for accurate measurement, recording and monitoring of performance and also lack of capacity in the performance reporting section.

Reliability of reported performance information

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable supporting evidence could not be provided for 66.2% of the targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures. The auditee placed limitations on the scope of my work as it could not submit supporting documentation and information to substantiate performance reported.

Additional matter

26. I draw attention to the following matter.

Achievement of planned targets

27. Refer to the annual performance report on page x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objective reported in paragraph 22 to 26 of this report.

Compliance with laws and regulations

28. I performed procedures to obtain evidence that the entity has complied with applicable legislation regarding

financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

29. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items and aggregate material misstatements of non-current assets, current assets and liabilities were identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

30. Reasonable steps were not taken to prevent fruitless, wasteful and irregular expenditure, as required by section 95(d) of the MFMA.

Procurement and contract management

31. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
32. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
33. Quotations were awarded to bidders who did not submit a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
34. Contracts were extended without tabling the reasons for the proposed amendment in the council of the parent municipality, as required by section 116(3) of the MFMA.
35. The municipality did not implement an SCM policy, as required by section 111 of the MFMA.
36. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Internal control

37. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

Although management exercised oversight regarding financial reporting, sufficient monitoring of controls had not been adequately implemented. This resulted in an inaccurate statement of comparison of budget and actual amounts as well as inadequate GRAP disclosure notes in the financial statements. Key management positions were also vacant during the year under review. Leadership did not take timely and adequate action to address weaknesses at the finance and supply chain management directorates, which resulted in non-compliance with applicable legislation that gave rise to fruitless and wasteful as well as irregular expenditure. Management did not focus on information and technology operational issues due to human resource constraints within the entity.

Financial and performance management

38. Management did not act on prior year audit findings to implement a proper record management system to maintain information that supported the information disclosed in the annual performance report regarding the, collection, collation, verification, storing and reporting of actual performance information. The financial statements submitted

for audit purposes contained numerous misstatements that were corrected as a result of findings during the audit process. This was mainly due to incorrect interpretation of some of the requirements of the financial reporting framework. Leadership also did not prepare quarterly performance reports. Furthermore, there was no sufficient monitoring of controls to ensure adherence to the internal policies and procedures regarding objectives in the annual performance report. Compliance with legislation was also not been properly reviewed and monitored by management.

Governance

39. The entity conducted a risk assessment; however, the risk management strategy, which includes a fraud prevention plan, was only documented nine months into the financial year.

OTHER REPORTS

Investigations

40. One external investigation into inadequate consultancy services that were provided to the entity was still in progress as at year-end. The investigation covers the period from August 2005 to July 2010

Auditor-general.

Bloemfontein

30 November 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

APPENDICES

APPENDIX A: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	**Full Time / Part Time**	**Committees Allocated**	***Ward and/ or Party Represented**	**Percentage Council Meetings Attendance**	**Percentage Apologies for non-attendance**
	FT/PT			%	%
Cllr GM BACELA	P/T	-	Ward Councillor	82	18
Cllr FR BOTES	P/T	-	Ward Councillor	76	24
Cllr JF BRITZ	P/T	-	Proportional	86	14
Cllr ME DENNIS	P/T	-	Ward Councillor	88	12
Cllr M DAVIES[1] Appointed 28 April 2014	P/T		Proportional	100	-
Cllr MD DIBECO-MASUKU	P/T	-	Ward Councillor	88	10
Cllr RP DITABE	P/T	-	Proportional	94	6
Cllr S DYOSIBA	P/T	-	Ward Councillor	93	7
Cllr MJ ETI	P/T	-	Ward Councillor	95	5
Cllr MD HLUJANE	P/T	-	Ward Councillor	100	-
Cllr W HORN Resigned 15 April 2014	P/T	-	Proportional	87	13
Cllr TA JACOBS	P/T	-	Proportional	96	4
Cllr TB JACOBS	P/T	-	Ward Councillor	98	2
Cllr DE JANSE v VUUREN Resigned May 21,2014	P/T	-	Ward Councillor	86	14
Cllr LR JULY	P/T	-	Proportional	100	-
Cllr SG KALIYA	P/T	-	Ward Councillor	85	8
Cllr ZT KHI	P/T	-	Ward Councillor	92	6
Cllr PA KUAPE	P/T	-	Ward Councillor	58	34
Cllr TS LALA	P/T	-	Ward Councillor	92	8
Cllr JAA LAZENBY	P/T	-	Proportional	77	23
Cllr D LEECH	P/T	-	Ward Councillor	92	8
Cllr LE LEKGELA	P/T	-	Proportional	83	17
Cllr MJ LEPHOI	P/T	-	Ward Councillor	92	8
Cllr TK LITABE	P/T	-	Proportional	77	23
Cllr BNV MADELA	P/T	-	Ward Councillor	85	8
Cllr ET MAKHELE	P/T	-	Ward Councillor	100	-
Cllr MC MALEBO	P/T	-	Proportional	85	15
Cllr ZE MANGCOTYWA	F/T	Chief Whip	Proportional	96	4
Cllr TM MANYONI	F/T	Executive Mayor	Proportional	66	34
Cllr LA MASOETSA	F/T	Section 80 Committee : Infrastructure and Services	Proportional	92	8
Cllr ML MATHOBISA	P/T	-	Ward Councillor	85	15

Councillors, Committees Allocated and Council Attendance					
Council Members	**Full Time / Part Time**	**Committees Allocated**	***Ward and/ or Party Represented**	**Percentage Council Meetings Attendance**	**Percentage Apologies for non-attendance**
	FT/PT			%	%
Cllr MV MATSEMELELA	P/T	-	Ward Councillor	85	8
Cllr MJ MATSOETLANE	F/T	Section 80 Committee : Health and Social Development	Proportional	62	38
Cllr MB MBANGE	P/T	-	Proportional	96	4
Cllr TM MFAZWE	P/T	-	Proportional	81	19
Cllr H MINNIE	P/T	-	Proportional	72	28
Cllr MA MOENG	F/T	Section 80 Committee : Development Planning and Urban Management	Proportional	92	8
Cllr MJ MOFOKENG	P/T	-	Ward Councillor	82	22
Cllr ID MOGAMISE	P/T	-	Proportional	100	-
Cllr ME MOILWA	F/T	-	Proportional	84	16
Cllr PR MOKOLOKO	P/T	-	Ward Councillor	95	-
Cllr KO MOKONE	P/T	-	Proportional	82	18
Cllr NG MOKOTJO	F/T	Section 80 Committee : Finance	Proportional	88	12
Cllr RLAE MOLOABI	P/T	-	Ward Councillor	88	12
Cllr SA MONNAKGORI	F/T	Section 80 Committee : Rural Development and Environment	Proportional	90	10
Cllr MB MONONYANE	P/T	-	Proportional	83	17
Cllr TM MOOPELO	P/T	-	Ward Councillor	100	-
Cllr TA MOPHETHE	P/T	-	Ward Councillor	92	-
Cllr TCL MOROE	P/T	-	Ward Councillor	80	20
Cllr MM MORURI	P/T	-	Ward Councillor	90	10
Cllr SS MORUTLE	P/T	-	Ward Councillor	86	14
Cllr TA MOSIUOA	P/T	-	Proportional	82	18
Cllr MOSHWADIBA[2] PZ appointed October 11, 2013	P/T	-	Proportional	75	15
Cllr MZ MOTLADILE	P/T	-	Ward Councillor	88	12
Cllr HJ MOTLATSI	P/T	-	Ward Councillor	78	-
Cllr TS MPAKATHE	P/T	-	Proportional	88	12
Cllr MS MPEQEKA	P/T	-	Proportional	88	12
Cllr KJ MTSHIWANE	P/T	-	Ward Councillor	100	-
Cllr TJ NAILE	P/T	-	Ward Councillor	100	-
Cllr SS NDAMANE	P/T	-	Ward Councillor	92	8
Cllr MJ NKOE	P/T	-	Ward Councillor	76	24

Councillors, Committees Allocated and Council Attendance					
Council Members	**Full Time / Part Time**	**Committees Allocated**	***Ward and/ or Party Represented**	**Percentage Council Meetings Attendance**	**Percentage Apologies for non-attendance**
	FT/PT			%	%
Cllr J NOTHNAGEL	P/T	-	Proportional	90	10
Cllr GJ OLIVIER	P/T	-	Proportional	82	18
Cllr TD PARKIE	P/T	-	Proportional	84	16
Cllr TWG PATO	P/T	-	Proportional	100	-
Cllr JE PETERSEN[3] appointed June 17, 2014	P/T	-	Proportional	100	-
Cllr MA PHAJANE	P/T	-	Proportional	85	15
Cllr SD PHOKOJE	P/T	-	Ward Councillor	100	-
Cllr NA PHUPHA	P/T	-	Ward Councillor	70	30
Cllr XD PONGOLO	F/T	Section 80 Committee : Human Settlements and Housing	Ward Councillor	92	8
Cllr JD POWELL	P/T	-	Proportional	85	15
Cllr C PRETORIUS	P/T	-	Ward Councillor	77	23
Cllr JC PRETORIUS	P/T	-	Ward Councillor	69	31
Cllr KN RABELA	F/T	Section 80 Committee : Corporate Governance and Administration	Proportional	82	18
Cllr MA RAMETSE	P/T	-	Proportional	83	17
Cllr FP RAMOKOTJO	P/T	-	Ward Councillor	100	0
Cllr TM RAMONA Resigned August 1, 2013	P/T	-	Proportional	50	50
Cllr CLM RAMPAI	F/T	Deputy Executive Mayor Section 80 Committee : Integrated Development Planning	Proportional	100	-
Cllr NA RATSIU	P/T	-	Ward Councillor	92	-
Cllr ME SEBOTHELO	P/T	-	Ward Councillor	92	8
Cllr CSK SECHOARO Resigned 21 May 2014 June 17, 2014	F/T	Chairperson Section 79 Committee : Municipal Public Accounts	Proportional	77	23
Cllr DM SEKAKANYO	F/T	Section 80 Committee : Transport, Security and Emergency	Proportional	100	-
Cllr M SELALEDI	P/T	-	Proportional	100	-
Cllr MA SIYONZANA	F/T	Speaker	Proportional	100	-

Councillors, Committees Allocated and Council Attendance					
Council Members	**Full Time / Part Time**	**Committees Allocated**	***Ward and/ or Party Represented**	**Percentage Council Meetings Attendance**	**Percentage Apologies for non-attendance**
	FT/PT			%	%
Cllr E SNYMAN-VAN DEVENTER	P/T	-	Proportional	62	38
Cllr ED TEKO	P/T	-	Ward Councillor	100	-
Cllr AP TERBLANCHE	P/T	-	Ward Councillor	100	-
Cllr GTM THIPENYANE	P/T	-	Proportional	100	-
Cllr LM TITI ODILIE	P/T	-	Proportional	100	-
Cllr AL TOBA	P/T	-	Proportional	92	8
Cllr EC TOBIE	P/T	-	Ward Councillor	62	38
Cllr M TSOMELA	F/T	Section 80 Committee : Economic Development and Tourism	Proportional	100	-
Cllr PJJ VAN BILJON	P/T	-	Ward Councillor	88	12
Cllr R VAN DER MERWE	P/T	-	Ward Councillor	77	23
Cllr TB VAN DER WALT[4] Appointed 2 July 2014	P/T	-	Proportional	100	-
Cllr P ad WESTHUIZEN Resigned Feb 28, 2014	P/T	-	Proportional	92	8
Cllr HJC VAN NIEKERK	P/T	-	Ward Councillor	82	28
Cllr BJ VIVIERS	P/T	-	Ward Councillor	86	14
Cllr VW WARD	P/T	-	Ward Councillor	96	-
Cllr AS ZERWICK	P/T	-	Proportional	78	22
Cllr NM ZOPHE	P/T	-	Proportional	68	32

[1]Councillor M Davies was appointed in the place of Councillor JS Human who resigned
[2]Councillor PZ Moshwadiba appointed in the place of Councillor TM Ramona who resigned
[3]Councillor JE Petersen appointed in the PR vacancy of the ANC (replaces Cllr CSK Sechoaro)
[4]Councillor TB van der Walt appointed in the place of Councillor W Horn who resigned
[4]Councillor JS Human appointed in the place of Councillor P van der Westhuizen who resigned
[4]Councillor DE Janse v Vuuren resigned as a ward councillor for ward 24, by-elections to be held

*Note: * Councillors appointed on a proportional basis do not have wards allocated to them.*

APPENDIX B: COMMITEE AND COMMITEE PURPOSE

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	**Purpose of Committee**
Section 79 Committee	These committees are established for the effective and efficient performance of any of the council functions or the exercise of any of its powers as determined by the MMM
Section 80	The Roles fulfilled by the portfolio committees are to operate and assist the mayoral committee in their respective functional areas and the executive Mayor may delegate any powers and duties of the Mayoral committee to the section 80 committee
Audit Committee	Each Municipality and entity must have an audit committee which is an independent advisory body and which must advise council and all other stakeholders in accordance with the stipulations as set out under section 166 of the MFMA
Budget steering committee	This committee oversees the drafting and formulation of the budget of the MMM
IDP Steering Committee	Committee that is responsible for the annual review and implementation of the IDP
Ward Committees	The object of ward committee is to enhance participatory democracy in local government. ward committees are established for each of the 49 wards in the MMM
LLF	This committee provides and regulates organisational rights for trade unions and function in terms of section 23 of the Labour relations Act

APPENDIX C: TWO TIER STRUCTURE

Department	City Manager and Heads of Department
Office of the City Manager	Municipal Manager, Ms SM Mazibuko
Centlec	Acting Chief Executive Officer: Mr MG Mohlakoana
Corporate Services	Head of Department, Ms M Ramaema
Engineering Services	Head of Department, Mr LX Ntoyi
Finance	CFO, Mr EM Mohlahlo
Human Settlement	Head of Department Mr MM Mokoena
Planning and Economic Development	Head of Department, Mr K Kabagambe
Social Services	Head of Department, Ms EH Radebe
Strategic Projects & Service Delivery Regulation	Head of Department, Mr MG Mohlakoana

APPENDIX D: FUNCTIONS OF THE MUNICIPALITY/ ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	**Function Applicable to Municipality (Yes / No)***	**Function Applicable to Entity (Yes / No)**
Constitution Schedule 4, Part B functions:		
Air pollution	YES	
Building regulations	YES	
Child care facilities	YES	
Electricity and gas reticulation		YES (Centlec)
Fire fighting services	YES	
Local tourism	YES	
Municipal airports	NO	
Municipal planning	YES	
Municipal health services	YES	
Municipal public transport	YES	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	YES	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	NO	
Storm water management systems in built-up areas	YES	
Trading regulations	YES	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	YES	
Beaches and amusement facilities	NO	
Billboards and the display of advertisements in public places	YES	
Cemeteries, funeral parlours and crematoria	YES	
Cleansing	YES	
Control of public nuisances	YES	
Control of undertakings that sell liquor to the public	NO	
Facilities for the accommodation, care and burial of animals		
Fencing and fences		
Licensing of dogs		
Licensing and control of undertakings that sell food to the public	YES	
Local amenities	YES	
Local sport facilities	YES	
Markets		
Municipal abattoirs	YES	
Municipal parks and recreation	YES	
Municipal roads	YES	
Noise pollution	Yes	
Pounds	YES	
Public places	YES	
Refuse removal, refuse dumps and solid waste disposal	YES	
Street trading	YES	
Street lighting		YES (Centlec)
Traffic and parking	YES	

APPENDIX F: WARD INFORMATION

Capital Expenditure of 7 largest projects*					
R' 000					
Name of Project	**Current: Year 2013/14**			**Variance: Current Year 2013/14**	
	Original Budget	**Adjustment Budget**	**Actual Expenditure**	**Original Variance (%)**	**Adjustment variance (%)**
A - NORTH EASTERN-WWTW (15ML/DAY)	70,480	108,180	100,340	42%	-7%
B - RESEALING OF STREETS	20,000	62,420	62,262	211%	0%
C - VEHICLES – CENTLEC	0	49,000	37,786	0	-29%
D - SERVICES RETICULATION OF MMM LAND	42,835	41,185	41,032	-4%	0%
E - UPGRADING OF MASELSPOORT PUMP SUPPLY	18,000	38,171	36,687	104%	-4%
F - Replace Water Meters And Fire Hydrants	15,000,000	18,774,039	18,704,898	24%	0%
G - Longridge Reservoir Supply Line 8.3 Km	25,000,000	29,714,320	25,070,342	0%	-18%
** Projects with the highest capital expenditure in Year 2013/2014*					

Name of Project - A	
Objective of Project	Expansion of the existing Sterkwater sewage treatment plant.
Delays	None
Future Challenges	None
Anticipated citizen benefits	Availability of clean water.
Name of Project - B	
Objective of Project	Ensuring safe and trafficable roads within the municipality
Delays	None
Future Challenges	None
Anticipated citizen benefits	Enhanced service delivery
Name of Project - C	
Objective of Project	Procurement of fleet to enhance service delivery.
Delays	Procurement processes
Future Challenges	None
Anticipated citizen benefits	In house infrastructure maintenance, to enhance service delivery.
Name of Project - D	
Objective of Project	Ensuring serviced stands and enhanced revenue for the City
Delays	None
Future Challenges	None
Anticipated citizen benefits	Access to basic services
Name of Project - E	

Capital Expenditure of 7 largest projects*					
R' 000					
Name of Project	Current: Year 2013/14			Variance: Current Year 2013/14	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Objective of Project	Increase water pumping capacity from the Maselspoort plant.				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Steady flow of water from the purification plant.				
Name of Project - F	Replace Water Meters And Fire Hydrants				
Objective of Project	To replacing non-function water meters and fire hydrants				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Reliable water services and accurate water accounts.				
Name of Project - G	Longridge Reservoir Supply Line 8.3 Km				
Objective of Project	Increase water pumping capacity from the Longridge Reservoir				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Cater for increasing water demand from communties.				

APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

Municipal Audit Committee Recommendations		
Date of Committee and Meeting No.	Committee recommendations during Year 0	Recommendations adopted (enter Yes) If not adopted (provide explanation)
26/08/2013 - 01/2013-14/26	2012/13 Annual Financial Statements be submitted to AG by due date of 31 August for auditing after addressing all outstanding issues and issues raised by Audit Committee	Yes
29/10/2013 - 02/2013-14/27	2013/14 Internal Audit Plan be approved for implementation	Yes
29/10/2013 - 02/2013-14/27	Internal Audit Procedure Manual be approved and the amended document incorporating members' inputs be circulated electronically to the members for information purposes.	Yes
29/10/2013 - 02/2013-14/27	Revised Internal Audit Charter be approved	Yes
29/10/2013 - 02/2013-14/27	2013/14 1st Quarter Financial Report be noted by the Audit Committee. The Audit Committee to engage on the mid-year reports.	Yes
29/10/2013 - 02/2013-14/27	2013/14 1st Quarter SDBIP Report be noted by the Audit Committee. The Audit Committee to engage on the mid-year report and the internal audit report issued on the 1st Quarter SDBIP report.	Yes
29/10/2013 - 02/2013-14/27	Risk Management Reports be discussed by the Risk Management Committee before being submitted to the Audit Committee via the Chairperson of the Risk Management Committee	Yes
29/10/2013 - 02/2013-14/27	GM: Internal Audit to draft the Audit Committee Report to Council and circulate the report to the members for review.	Yes
29/10/2013 - 02/2013-14/27	The Auditor-General Audit Strategy for 2012/13 Audit be noted by the Committee	Yes
29/10/2013 - 02/2013-14/27	An action plan indicating how the March 2014 deadline on ICT Framework as set by the DPLG will be achieved be presented to the Audit Committee	Yes
29/10/2013 - 02/2013-14/27	The Dashboard Report for the quarter ending 30 June 2013 as presented by Auditor-General with inputs form Internal Audit and management be noted by the Committee.	Yes
05/12/2013 - 03/2013-14/28	The Auditor-General's report for Mangaung Metro Municipality be noted and findings raised by AG around Audit Committee will be addressed.	Yes
19/03/2014 - 04/2013-14/29	The progress on the Audit Action Plan should be in a narrative form and that the monthly compliance should be indicated and that all relevant fields in the Audit Action Plan should be completed.	Yes
19/03/2014 - 04/2013-14/29	The 2013/14 mid-year report be noted by the Committee.	Yes
19/03/2014 - 04/2013-14/29	The 2nd Quarter Internal Audit Report be noted by the Committee.	Yes
19/03/2014 - 04/2013-14/29	An action plan should be developed to focus on how the municipality is going to ensure that capacity within the Risk Management division is increased to ensure that risks at all levels are appropriately documented and monitored	Yes

Municipal Audit Committee Recommendations		
Date of Committee and Meeting No.	Committee recommendations during Year 0	Recommendations adopted (enter Yes) If not adopted (provide explanation)
19/03/2014 - 04/2013-14/29	The National Treasury circular 65 as submitted to the Committee for information be noted by the Audit Committee	Yes
19/03/2014 - 04/2013-14/29	The SCM Deviation Report be noted by the Committee and that the validity of the document will be tested by the Auditor-General and Internal Audit going forward.	Yes
19/03/2014 - 04/2013-14/29	The 2012/13 Audit Committee Report must be submitted to Committee Services for inclusion in the next ordinary Council agenda	Yes
23/05/2014 - 05/2013-14/30	The 3rd quarter section 52 Report be noted by the Committee	Yes
23/05/2014 - 05/2013-14/30	Progress report on Audit Action Plan be noted the Committee	Yes
23/05/2014 - 05/2013-14/30	The 3rd quarter Internal Audit report be noted by the Committee	Yes
23/05/2014 - 05/2013-14/30	The risk management report be noted by the Committee	Yes
30/06/2014 - 06/2013-14/31	The MFMA Compliance checklist to be discussed and finalized by the CFO and GM: Internal Audit and be submitted to Audit Committee for approval.	Yes

APPENDIX I: MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

MUNICIPAL ENTITY/SERVICE PROVIDER SCHEDULE			
Name of Entity & Purpose	**(a) Service Indicators**	**2013/2014**	
		Target	
	(b) Service Targets	**Current Year**	**Actual;**
(i)	**(ii)**	**(iii)**	**(iV)**
Centlec	Number of households with access to basic electricity	99,9% of 195 741 formal households	99.9% of 195 741 formal households
	Number of new households provided with electricity connections	392 households connections	392 households connections at Selosesha
	Number of RDP households whose electricity connection shifted	1 539 RDP houses' electricity connections shifted	389 RDP houses electricity connections shifted

APPENDIX J: DISCLOSURE OF FINANCIAL INTERESTS

(Information provided in compliance with the provisions of paragraph 7 of the Code of Conduct for Councilors' as contained in Schedule 1 to the Local Government: Municipal Systems Act No 32 of 2000)

No submissions received for year under review financial year

Resigned / Passed Away during financial year

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Bacela GM	None	None	None	None	None	None	None	None	None	None	None
Botes FR	Old Mutual	Sanlam	None	None	None	None	Shoprite/ Checkers & Freshmark	House	None	None	None
Britz JF	None	None	Bloemed Health Trust	Samba Koop	None	None	None	33 Ronch Cres Fichardpark; Ipanama 7 Van Iddekingelaan Fichardpark	None	None	None
Davies M											
Dennis ME	None	None	None	None	None	None	M.M.M	Husband owns House	GPF R3900.00PM	None	None
Dibeco DM	None	None	None	None	None	None	None	None	None	None	None
Ditabe RP	None	None	None	None	None	None	None	None	None	None	None
Dyosiba S	None	Thabo & Topkin	None	None	None	None	None	None	None	None	None
Eti MJ	None	None	None	None	None	None	None	None	None	None	None
Horn W	None	None	JMW Property Trust (60%)	None	Horn & Van Rensburg Attorneys (37,5%)	None	Self (Horn & Van Rensburg) Councillor	Unit 18 Kwando Park 32 Capt Dawson Str, Bfn	None	None	None
Hlujane MD	None	None	None	None	None	Old Mutual	None	None	None	None	None
Jacobs TA											

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Jacobs TB	Oneness Social dev Club	Oneness Social dev Club	None	None	None	None	None	None	None	None	None
Janse Van Vuuren DE	None	None	Die Janse Van Vuuren Familie Trust	None	None	Christo Dippenaar Attorneys	None	21 Gen; Hertzog Str,Dan Pienaar Willow Flair 100, Willows	MMM	None	None
July LR	None	None	None	None	None	None	None	None	None	None	None
Kaliya SG	None	None	None	None	None	None	None	None	None	None	None
Khi Z	None	None	None	None	None	None	None	None	None	None	None
Kotze PA											
Kuape PA	None	None	None	None	None	None	None	None	None	None	None
Lala TS	None	Prestine General Trading 100%	Diatla Dikopane CC Farm 40%	None	None	None	None	None	None	None	None
Lazenby JBA	None	None	None	None	None	None	University Free State Bloemfontein	Residential Home, Langenhovenpark	None	None	None
Leech D	None	None	None	None	None	None	Councillor Reality 1	LHP Afree oord 10 Avignon 12 7A AG Visster Street	None	None	None
Lekgela LE	None	None	None	None	None	None	D O H (R240 000.00)	None	None	None	None
Lephoi MJ	None	Yes, Doment	Yes	None	None	None	None	None	None	Land restitution beneficiary Kopanong Mun. Xhariep	
Litabe TK	None	None	None	None	None	None	None	None	None	None	None
Madela BNV	None	None	None	None	None	None	None	None	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Makhele ET	None	None	None	None	None	None	None	None	None	Yes (GPF)	None
Malebo MC	None	None	None	None	None	None	None	None	None	None	None
Mangcotywa Z	None	None	None	None	None	None	None	None	None	None	None
Manyoni TM	None	None	None	Moaho Investments (PTY LTD)	None	None	Mangaung Metro Municipality	None	None	None	Mini Solo-Light Bar- R 266.64 Solar Kit-15w Solar Panel + 5w Dc Led Tube-R1939.20 Moet & Chandon Champagne- R349.99
Masoetsa LA	Ubuntu Botho	None	None	None	None	None	None	None	Yes Special Pension	None	None
Mathobisa LM	None	None	None	None	None	None	None	None	None	None	None
Matsemelela MV	None	None	Multipurpose Institution, Bolokanang HBC Basadi Tirong Cooperative	None	None	None	None	None	None	None	None
Matsoetlane MJ	None	None	None	None	None	None	None	None	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Mbange MB	None	None	None	None	None	None	None	4700B Moliko Str (R126 000) 642 Mokholwane Str (R41 000) 10312 Manyane Str (R132 000) 9919 Singonzo Str (R79 000)	Standard Bank / Momentum (R1 677,42) Old Mutual (R1 554,08) Momentum (R1 089,52)	None	None
Mfazwe TM	None	None	None	None	None	None	None	None	None	None	None
Minnie H	None	None	MCPFS as Trustee	None	None	None	Afcom PTY LTD MCPF MMM	5585 Peter Swarts House 55 Angelier Str House 9367 Bloemside Phase2 - Church	Provident Fund (not on pension yet)	None	None
Moeng MA	None	None	Papeng Trust	None	None	None	None	None	None	None	None
Mofokeng MJ	None	None	None	None	None	None	None	None	None	None	None
Mogamise ID	None	None	None	None	None	None	Nursing Health Department	None	None	None	None
Moilwa ME	Xchange	None	None	None	None	None	None	None	None	None	None
Mokoloko PR	None	None	None	None	None	None	MMM	None	None	None	None
Mokone KO	None	None	None	None	None	None	None	None	None	None	None
Mokotjo NG	None	Distha Trading	None	None	None	None	None	None	None	None	None
Moloabi LR	None	None	None	None	None	None	None	None	None	None	None
Monnakgori SA	None	None	None	None	None	None	None	None	None	None	None
Mononyane MB	None	UMonde CC 502	M.B Mononyane Family Trust	None	None	Phuleng Inn Tavern/Store Plot 165 Meadows Rd	Mangaung ClR	Plot 165 Meadows Road Grassland	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Moopelo TM	None	Yes, but dysfunctional	None	None	None	None	None	None	None	None	None
Mophete TA	None	None	None	None	None	None	None	None	None	None	None
Moroe TCL	None	None	None	None	None	None	None	None	None	None	None
Moruri MM	None	None	Paul Moruri Family Trust	None	None	None	None	None	None	None	None
Morutle SS	None	None	None	None	None	None	None	None	None	None	None
Moshwadiba PZ											
Mosiuoa TA	T.A Mosiuoa Labour Consultants CC	T.A Mosiuoa & Associates 100% (dormant)	None	None	None	None	None	None	None	None	None
Motladile ZM	None	None	None	None	None	None	None	None	None	None	None
Motlatsi HJ	None	None	None	None	None	None	Remuneration from Health	None	Widows pension	None	None
Mpakathe TS	None	None	None	None	None	None	MMC PR R16 000	None	None	None	None
Mpeqeka MS	None	None	None	None	None	None	Educator R12 000.00	None	None	None	None
Mtshiwane K	None	None	None	None	None	None	None	None	Sanlam	None	None
Naile TJ	None	None	None	None	None	None	None	None	None	None	None
Ndamane NS	None	Ka Rona Trading 639 CC	None	None	None	Tavern Nozizwe owner	None	None	None	None	None
Nkoe MJ	Global Work Investment Co-operation	None	None	None	None	None	None	None	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Nothnagel J	None	None	None	None	None	None	Councillor, Mangaung CUT	Seavale Drive 4, Seavale, Buffalo City (50%) Erf 28741, Woodlands Hills, BFN	None	None	None
Olivier TG	None	None	None	None	None	Owner of Afrilingo & Lingo Software IP Founder of Qala Tala	None	Residential Residence owned by spouse	None	None	None
Parkie TD	None	None	None	None	None	None	MMM	None	None	None	None
Pato TW	None	None	None	None	None	None	None	None	GEPF R13 000	None	None
Petersen JE	None	None	None	None	None	None	None	None	Dept. of Education	None	None
Phajane MA	MTN-Shares Sanlam Shares	None	None	None	None	None	SANDF. R5000.00	None	None	None	None
Phokoje SD	None	None	None	None	None	None	None	None	None	None	None
Phupha NA	None	None	None	None	None	None	None	None	None	None	None
Pongolo XD	None	None	None	None	None	None	None	3341 Freedom	None	None	None
Powell JD	None	None	None	None	None	None	VF Plus	3 Bakers Str Wilgehof, Bfn	None	None	None
Pretorius C	None	None	None	None	None	None	None	None	None	None	None
Pretorius JC	None	Ginger Cherry CC reg no. 2011/098601/23	None	None	None	Xgrafies Freelance Business	Sa Truck Bodies Senior Graphic Designer. R22000.00	Dias Single 7 Dan Pienaar	None	None	None
Rabela KN											
Rametse MA	None	None	None	None	None	None	None	None	None	None	None
Ramokotjo FP	None	None	None	None	None	None	None	None	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Ramona TM	None	None	None	None	None	None	None	None	None	None	None
Rampai CLM	None	None	None	Deputy Chairperson of Hospital Board	None	None	Mangaung Metro Metro	None	None	None	None
Ratsiu NA	None	Yes, but Disfunctional	None	None	None	Part time in Lesedi FM	None	None	None	None	None
Sebothelo ME	None	None	None	None	None	None	None	None	None	None	None
Sekakanyo MP	None	None	None	None	None	None	None	None	None	None	None
Selaledi M	MTN	Motheo Womens Credit & Saving and Iketseng Bufala Basadi Cooperative	None	None	None	None	None	None	None	None	None
Siyonzana MA *(Copy)*	None	Inqhina Civil & Building Company Proflex PTY.LTD	None	Razor bill Property PTY.LTd	None	None	None	16 Morris Street, Hillsbrow, Bloemfontein	Metropolitan	None	Jazz Festival – Tickets, flights, accommodation & shuttle services.
Snyman van Deventer	None	None	None	None	None	None	UFS	Pollenys Place6, Pellissier	None	None	None
Teko ED	None	Yenza Trading 536 CC	None	None	None	None	None	Yes Plot 125 Voortrekkerlaan	None	None	None
Terblanche AP	None	None	None	None	None	None	Boxer Super Store	37 Louis Loaf Avis Pellissier	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Thipenyane GM	None	GNO Printing & Stationery	None	None	GNO Printing & Stationery	None	Councillor	None	None	None	None
Titi LM	Manziline	None	None	Owner	None	None	None	None	None	None	None
Toba AL	None	Mantella Trading 486 CC	NERPO/ AFASA	None	None	Mokgodisano	None	None	None	Mokgodisano / Stockvel	None
Tobie EC	None	None	None	None	None	None	None	None	None	None	None
Tsomela MM	None	None	None	None	None	None	None	None	None	None	None
Van Biljon PJJ	Old Mutual 1000 shares	None	Cottaja Lane Family Trust	None	Own business	Principal of town planning practice(Pierre van Biljon)	Town Planning Consultancy R180000.00 p.a	17 Stratford Str (own residence) 4A Louw Wepener Str (renting out)	None	None	None
Van der Merwe R	None	CC 92/04801/23 Tempe Motors +/- R50000	Fief van der Merwe Trust (9219769965) R1.8m	None	None	None	None	See Annexure Heideihof, Mareberg, Doringkop, Catalania, Rayton View, Waverley Park, Delamont,	UFS R23000.00 P/M	None	None
Van der Walt TB	None	None	None	Executive Director of Qala Phelang Tala Non Profit Company (no remuneration)	None	None	None	None	None	None	None

Councilors	Shares and securities in any company	Membership of any close corporation	Interest in any trust	Directorships	Partnerships	Other financial interest in any business	Employment and remuneration	Interest in property	Pension	Subsidies, grants and sponsorships	Gifts received
Van Niekerk HJ	None	Yes R350 000 (Triangle Granite (R200 000)	None	None	50% (Triangle Granite)	None	None	15 Akkoorde Cres, Bfn Personal House (R950 000)	None	None	None
Viviers BJ	Goodrick Franklin Snr 2003/031198/21	23% Umbelos 12CC 49%	None	Geelred Frerklik Snc	None	None	Goodrick & Franklin	Centre in Wival 95 A centre	None	None	None
Ward VW	None	Mangaung Stories deregistered	Barry Pietersen Trust	None	Ward Building Contractors	None	None	- 10047Graslan d -29 Einstein Str - Plot 15 Levins -Plot 27 Hoëveld	None	None	None
Zerwick AS	None	None	None	None	None	None	Dept. Health C.U.T (part time)	Own Home	None	None	None
Zophe NM											

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCES

APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
	R'000				%	
Vote Description	Year -2012/13	Current: Year 2013/14			Year 2013/14 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Vote 1 - City Manager	0	0	0	(2,462)	0	0
Vote 2 - Executive Mayor	0	0	0	0	0	0
Vote 3 - Corporate Services	5,790	11,512	11,512	6,612	-43%	-43%
Vote 4 - Finance	1,061,616	1,042,442	1,224,685	1,445,766	39%	18%
Vote 5 - Social Services	12,522	15,575	17,415	94,379	506%	442%
Vote 6 - Planning	4,773	5,910	6,910	6,720	14%	-3%
Vote 7 - Human Settlement and Housing	14,565	175,611	175,611	5,926	-97%	-97%
Vote 8 - Fresh Produce Market	18,746	19,143	20,198	20,936	9%	4%
Vote 9 - Engineering Services	295,492	405,548	424,493	488,932	21%	15%
Vote 10 - Water Services	583,374	668,129	700,743	692,279	4%	-1%
Vote 11 - Miscellaneous Services	1,062,024	1,383,899	1,611,956	1,526,414	10%	-5%
Vote 12 - Regional Operations	0	0	0	0	0	0
Vote 13 - Strategic Projects and Service Delivery Regulation	0	0	0	0	0	0
Vote 14 - Electricity - Centlec (Soc) Ltd	2,652,310	2,465,995	2,467,634	2,070,809	-16%	-16%
Total Revenue by Vote	**5,711,212**	**6,193,764**	**6,661,157**	**6,356,311**	3%	-5%

APPENDIX K (II): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
	R '000					
Description	Year - 2012/13	Year 2013/14			Year 2013/14 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	514,177	568,524	750,767	969,482	71%	29%
Property rates - penalties & collection charges	0	0	0	0	0	0
Service Charges - electricity revenue	1,747,412	2,102,657	2,102,657	1,701,340	-19%	-19%
Service Charges - water revenue	514,266	589,873	622,487	813,760	38%	31%
Service Charges - sanitation revenue	143,926	143,043	145,540	0	-100%	-100%
Service Charges - refuse revenue	59,877	97,396	113,844	121,731	25%	7%
Service Charges – other	0	0	0	0	0	0
Rentals of facilities and equipment	17,707	25,908	26,025	20,416	-21%	-22%
Interest earned - external investments	33,361	177,902	180,902	188,877	6%	4%
Interest earned - outstanding debtors	134,576	146,843	146,843	0	-100%	-100%
Dividends received	0	0	0	0	0	0
Fines	3,829	13,208	15,048	77,362	486%	414%
Licences and permits	431	843	843	433	-49%	-49%
Agency services	8,603	3,631	3,631	4,726	30%	30%
Transfers recognised - operational	873,033	654,372	700,940	933,889	43%	33%
Other revenue	184,779	970,388	971,326	30,779	-97%	-97%
Gains on disposal of PPE	2,851	900	900	15,249	1,594%	1,594%
Environmental Protection	0	0	0	0	0	0
Total Revenue (excluding capital transfers and contributions)	**4,238,828**	**5,495,488**	**5,781,753**	**4,878,045**	**-11%**	**-16%**

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG for 2013/14						
	R'000					
Details	Original Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Original Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	0	0	0			
Public Transport Infrastructure and Systems Grant	0	0	20,000	100%	100%	
Other Specify:						
Urban Settlement Development Grant	596,719	726,169	596,719	100%	82%	
Environmental Impact Assessment Grant						
EPWP Incentive Grant	3,896	2,198	3,896	100%	177%	
MSIG						
Minerals and Energy	42,000	42,000	42,000	100%	100%	
Water Conservation Grant			7,129	100%	100%	
Department of Water Affairs			6,900	100%	100%	
Electricity Demand Management			8,000	100%	100%	
National Government	**642,615**	**778,368**	**684,644**	**107%**	**88%**	
Provincial Government	**43,773**	**83,469**	**100,000**	**228%**	**120%**	
Human Settlements	43,773	76,830	100,000	228%	130%	
Sports and Recreation	0	6,639	0	0	0	
Other Grants	**0**	**585**	**304**	**100%**	**52%**	
Total	**686,388**	**862,422**	**784,948**	**114%**	**91%**	

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE / RENEWAL PROGRAMMES

Capital Expenditure - New Assets Programme* R '000							
Description	**2012/13**	**2013/14**			**Planned Capital expenditure**		
	Actual	**Original Budget**	**Adjustment Budget**	**Actual Expenditure**	**2014/15**	**2015/16**	**2016/17**
Capital expenditure by Asset Class							
Infrastructure - Total	**182,483**	**606,617**	**794,969**	**559,197**	**783,030**	**694,473**	**749,082**
Infrastructure: Road transport - Total	168,668	81,492	58,828	59,405	123,993	173,526	249,250
Roads, Pavements & Bridges	168,668	81,492	58,828	59,405	123,993	173,526	249,250
Storm water	–	–	–	–	–	–	–
Infrastructure: Electricity - Total	**–**	**156,588**	**262,587**	**126,480**	**298,963**	**280,754**	**286,081**
Generation	–	–	–	–	–	–	–
Transmission & Reticulation	–	156,588	262,587	126,480	298,963	280,754	286,081
Street Lighting	–	–	–	–	–	–	–
Infrastructure: Water - Total	**7,354**	**141,388**	**147,017**	**138,144**	**175,571**	**161,392**	**95,000**
Dams & Reservoirs	–	–	–	–	–	–	–
Water purification	–	91,388	110,728	-	138,720	115,981	85,000
Reticulation	7,354	50,000	36,290	138,144	36,851	45,411	10,000
Infrastructure: Sanitation - Total	**–**	**227,147**	**326,536**	**230,952**	**147,707**	**77,600**	**116,550**
Reticulation	–		–	–	–	–	–
Sewerage purification	–	227,147	326,536	230,952	147,707	77,600	116,550
Infrastructure: Other - Total	**6,461**	**–**	**–**	**4,217**	**36,796**	**1,200**	**2,200**
Waste Management	6,461	–	–	3,765	1,200	1,200	2,200
Transportation	–	–	–	–	35,596	–	–
Gas	–	–	–	–	–	–	–
Other	–	–	–	452	–	–	–
Community - Total	**24,298**	**35,084**	**74,868**	**55,038**	**105,000**	**122,359**	**118,658**
Parks & gardens	–	22,484	32,810	17,986	65,127	53,927	39,401
Sports fields& stadia	14,278	6,500	15,692	9,964	12,709	13,040	4,000
Swimming pools	–	5,600	14,074	-	2,500	–	–
Community halls	–	–	8,329	8,038	–	–	–
Libraries	–	–	–	406	–	–	–
Recreational facilities	–	–	–	13106	–	–	–
Fire, safety & emergency	–	–	–	–	–	–	–
Security and policing	–	–	–	5537	–	–	–
Buses	–	–	–	–	–	–	–
Clinics	–	–	–	–	–	–	–
Museums & Art Galleries	–	–	–	–	–	–	–
Cemeteries	5,440	–	3,963	--	–	13,342	5,500
Social rental housing	–	500	–	–	19,264	24,671	46,513
Other	4,580	–	–	–	5,400	17,378	23,244
Heritage assets - Total	**3,892**	**–**	**–**	**2,329**	**–**	**–**	**–**
Buildings	-	-	-	2,329	-	-	-

Capital Expenditure - New Assets Programme* R '000							
Description	**2012/13**	**2013/14**			**Planned Capital expenditure**		
	Actual	**Original Budget**	**Adjustment Budget**	**Actual Expenditure**	**2014/15**	**2015/16**	**2016/17**
Other	3,892,105	-	-	-	-	-	-
Investment properties - Total	**–**	**42,835**	**2,943**	**2,028**	**102,000**	**116,000**	**–**
Housing development	-		-	2,028	-	-	-
Other	-	42,835	2,943	-	102,000	116,000	-
-							
Other assets	**400,328**	**71,803**	**132,984**	**88,507**	**169,015**	**237,623**	**191,880**
General vehicles	1,292	33,909	33,060	20	47,518	52,047	34,465
Specialized vehicles	–	–	–	–	–	6,000	–
Plant & equipment	6,574	2,310	2,686	1,260	7,076	4,210	18,565
Computers - hardware/equipment	–	–	–	–	–	–	–
Furniture and other office equipment	8,925	15,085	26,746	31,442	6,895	5,578	5,640
Abattoirs	–	–	–	–	–	–	–
Markets	–	1,700	–	–	–	–	–
Civic Land and Buildings	–	–	–	45,735	–	–	–
Other Buildings	40,434	10,800	18,266	4,894	12,752	15,600	36,344
Other Land	343,103	8,000	5,858	-	86,627	154,189	96,866
Surplus Assets - (Investment or Inventory)	–	–	46,368	-	–	–	–
Other	–	–	–	5,155	8,147	–	–
Agricultural assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**
List sub-class	–	–	–	–	–	–	–
Biological assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**
List sub-class	–	–	–	–	–	–	–
Intangibles	**1,939**	**8,500**	**6,442**	**-**	**13,500**	**6,300**	**4,380**
Computers - software & programming	1,939	8,500	6,442	-	3,500	300	380
Other *(list sub-class)*	–	–	–	-	10,000	6,000	4,000
Total Capital Expenditure on new assets	612,939	764,839	1,012,206	707,098	1,172,545	1,176,755	1,064,000

Capital Expenditure - Upgrade/Renewal Programme* R '000							
Description	2012/13	2013/14			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2014/15	2015/16	2016/17
Capital expenditure by Asset Class							
Infrastructure - Total	**–**	**85,650**	**258,637**	**270,564**	**214,394**	**173,600**	**26,939**
Infrastructure: Road transport -Total	–	35,100	104,941	105,742	–	–	–
Roads, Pavements & Bridges		35,100	104,941	105,742	–	–	–
Storm water	–	–	–	–	–	–	–
Infrastructure: Electricity - Total	**–**	**–**		**18,439**	**–**	**–**	**–**
Generation	–	–	–	–	–	–	–
Transmission & Reticulation	–	–	–	18,439	–	–	–
Street Lighting	–	–	–	–	–	–	–
Infrastructure: Water - Total	**–**	**37,000**	**142,816**	**110,866**	**103,149**	**118,000**	**16,839**
Dams & Reservoirs	–	–	–	–	–	–	–
Water purification	–	22,000	90,521	-	–	–	–
Reticulation	–	15,000	52,295	110,866	103,149	118,000	16,839
Infrastructure: Sanitation - Total	**–**	**–**	**–**	**11,811**	**91,295**	**40,000**	**–**
Reticulation	–	–	–	–	91,295	40,000	–
Sewerage purification	–	–	–	11,811	–	–	–
Infrastructure: Other - Total	**–**	**13,550**	**10,881**	**23,706**	**19,950**	**15,600**	**10,100**
Waste Management	–	13,550	10,881	6,994	19,950	15,600	10,100
Transportation	–	–	–	16,712	–	–	–
Gas	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Community	**–**	**14,000**	**17,310**	**1,683**	**9,400**	**9,426**	**6,740**
Parks & gardens	–	14,000	17,310	-	500	2,326	2,340
Sports fields& stadia	–	–	–	1,683	–	–	–
Cemeteries	–	–	–	–	7,000	5,000	2,000
Social rental housing	–	–	–	–	–	–	–
Other	–	–	–	–	1,900	2,100	2,400
Other assets	**–**	**1,500**	**3,664**	**80,176**	**830**	**1,600**	**3,888**
General vehicles	–	–	478	37,786	–	–	–
Specialized vehicles	–	–	–	–	–	–	–
Plant & equipment	–	–	1,700	32,724	130	1,100	3,388
Computers - hardware/equipment	–	–	–	–	–	–	–
Furniture and other office equipment	–	1,500	1,487	6,718	–	–	–
Abattoirs	–	–	–	–	–	–	–
Markets	–	–	–	–	700	500	500
Civic Land and Buildings	–	–	–	2,948	–	–	–
Intangibles	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Capital Expenditure - Upgrade/Renewal Programme* R '000							
Description	**2012/13**	**2013/14**			**Planned Capital expenditure**		
	Actual	**Original Budget**	**Adjustment Budget**	**Actual Expenditure**	**2014/15**	**2015/16**	**2016/17**
Computers - software & programming	–	–	–	–	–	–	–
Other *(list sub-class)*	–	–	–	–	–	–	–
Total Capital Expenditure on renewal of existing assets	**–**	**101,150**	**279,612**	**352,423**	**224,624**	**184,626**	**37,567**

APPENDIX N: CAPITAL PROGRAMME BY PROJECT 2013/2014

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
CORPORATE SERVICES					
Upgrading: Heidedal Swimming Pool	1100000	678,714	663,072	15,642	97.69
Construction Of 20x30 Swimming Pool: Tha	4,500,000	800,000	674,662	125,338	84.33
Upgrading Of Billy Murison Stadium	2,500,000	250,000	237,059	12,941	94.82
Upgrading Of Selosesha Stadium	2,000,000	1,800,000	1,109,734	690,266	61.65
Upgrading Of Botshabelo Stadium	2,000,000	836,501	836,500	1	99.99
Upgrading Botshabelo Stadium	-	1,916,058	1,683,414	232,644	87.85
Upgrading Of Botshabelo Stadium	-	6,638,800	6,419,794	219,006	96.7
Rehabilitation Of Freedom Square Sport C	1,500,000	1,400,000	1,168,929	231,071	83.49
Multi Purpose Centre: Grassland 2	2,000,000	100,000	-	100,000	0
Johnson Bendile Stadium: Master Plan	2,000,000	200,000	192,439	7,561	96.21
City Hall Repars	-	257,739	-	257,739	0
Regional Office Repairs	-	329,323	-	329,323	0
Tiling Of Botshabelo Swimming Pool	-	733,745	406,322	327,423	55.37
Upgrading Of Stadium Swimming Pool	-	10,317,927	10,226,282	91,645	99.11
Upgrading Of Bochabela Boxing Arena	-	2,550,352	2,328,649	221,703	91.3
New Community Hall - Botshabelo	-	8,136,842	7,845,849	290,993	96.42
Upgrading Of Heidedal Swimming Pool	-	1,543,960	1,542,129	1,831	99.88
Community Hall	-	192,596	192,595	1	99.99
Information Management Systems Enhanceme	6,500,000	6,500,000	4,274,081	2,225,919	65.75
Desktop Computers (Desktop Server Tabl	6,500,000	6,500,000	4,150,174	2,349,826	63.84
City Service Monitoring And Evaluation S	1,000,000	1,000,000	7,047	992,953	0.7
Emc Storage - Production Site	-	2,281,867	2,281,866	1	99.99
Emc Storage - Mark Site	-	2,281,867	2,281,866	1	99.99
Emc Storage - Zoo Site	-	2,281,866	2,281,866	-	99.99
San Switches - Production Site	-	116,604	116,604	-	99.99
San Switches - Mark Site	-	116,604	116,604	-	99.99
San Switches - Zoo Site	-	116,604	116,604	-	99.99
Hp Servers - Production Site	-	572,505	572,504	1	99.99
Hp Servers - Mark Site	-	572,505	572,504	1	99.99
Hp Servers - Zoo Site	-	572,505	572,505	-	99.99
Emc Centera Storage - Production Site	-	444,974	444,974	-	99.99
Emc Centera Storage - Mark Site	-	444,974	444,974	-	99.99
Emc Centera Storage - Zoo Site	-	444,974	444,974	-	99.99
Evenus Migration To Solar	984,540	984,540	-	984,540	0

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
SUB TOTAL	***32,584,540***	***63,914,946***	***54,206,573***	***9,708,373***	***84.81%***
FINANCE					
Pay Point At The Taxi Rank	-	500,000	-	500,000	0
New Paypoint At Botshabelo	-	13,500	-	13,500	0
Rates Revamp	1,500,000	1,486,500	999,895	486,605	67.26
Office Of Furniture	500,000	1,000,000	897,562	102,438	89.75
Asset Management System	-	1,000,000	1,077,835	-77,835	107.78
SUB TOTAL	***2,000,000***	***4,000,000***	***2,975,293***	***1,024,707***	***74.38%***
SOCIAL SERVICES					
Extention Of Bayswater Laboratory Buildi	-	500,000	466,705	33,295	93.34
New Southern Region Fire Station	2,900,000	2,900,000	202,504	2,697,496	6.98
Establishment Of A Municipal Court	2,000,000	-	-	-	0
Access Control System - Parking Garage	-	1,200,000	-	1,200,000	0
Cctv	2,000,000	2,000,000	1,976,466	23,534	98.82
Fire Arms	-	350,000	-	350,000	0
Relocation Of Zoo	17,484,000	5,075,000	4,691,264	383,736	92.43
Nelson Mandela Statue Site Prepations W	-	1,000,000	-	1,000,000	0
Palaside/ Razor Wire Perimeter Fencing A	-	1,720,877	1,672,523	48,354	97.19
Palaside/ Razor Wire Perimeter Fencing A	-	830,055	788,366	41,689	94.97
Construction Of Ablution Block -Thaba Nc	-	1,412,232	1,099,440	312,792	77.85
New Regional Park - Thaba Nchu	-	16,390,990	16,591,329	-200,339	101.22
Development / Upgrading Of Parks - Bloem	2,000,000	2,000,000	1,394,179	605,821	69.7
Development / Upgrading Of Parks Botsha	1,500,000	2,900,000	-	2,900,000	0
Development / Upgrading Of Parks Thaba	1,500,000	-	-	-	0
Establishment/Construction Of Purpose Bu	-	9,392,907	8,403,262	989,645	89.46
Establishment/Construction Of Purpose Bu	400,000	400,000	400,000	-	100
Establisment/ Construction Of Purpose	-	500,000	500,000	-	100
SUB TOTAL	***29,784,000***	***48,572,061***	***38,186,039***	***10,386,022***	***78.62%***
PLANNING					
Township Establishment Future Residentia	-	93,168	90,926	2,242	97.59
Services Reticulation Of Mmm Land Within	42,835,000	41,185,000	41,031,639	153,361	99.62
Redevelopment Of Hoffman Square	14,000,000	17,310,000	16,712,065	597,935	96.54
Design Of Two Nodes N8	-	439,569	439,569	-	100
Engineering Design Of 2 Nodes	-	4,698,005	4,698,005	-	100
Services Reticulation Of Mmm Land Within	-	45,570	45,570	-	100

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Concept And Detail Design Naval Hill Ph2	-	5,443,524	5,155,309	288,215	94.7
3 X COMPUTERS	40,000	-	-	-	0
Hp Plotter	60,000	-	-	-	0
Barcode System And Handheld Computers	270,000	-	-	-	0
3 X Computers	40,000	-	-	-	0
Establishment Of Gis System	-	341,700	-	341,700	0
Navil Hill The Edge Restaurant	-	2,942,976	2,613,363	329,613	88.8
Cbd Masterplan	8,000,000	5,100,000	2,090,195	3,009,805	40.98
SUB TOTAL	***65,245,000***	***77,599,512***	***72,876,641***	***4,722,871***	***93.91%***
HUMAN SETTLEMENT AND HOUSING					
Toilet Facilities: 60 Two Roomed Houses	500,000	-	-	-	0
White City Project	-	1,749,275	1,567,100	182,175	89.58
White City Infrastructure -Bulk Services	-	3,070,585	2,571,046	499,539	83.73
Electrical Substation -Brandwag Flats	-	2,295,939	1,658,412	637,527	72.23
Pro-Active Acquisition Of Land For Human	8,000,000	4,000,000	-	4,000,000	0
Thaba Nchu Station Sites Project	-	370,493	370,157	336	99.9
Pro-Active Acquisition Of Land For Human	-	1,765,061	-	1,765,061	0
SUB TOTAL	***8,500,000***	***13,251,353***	***6,166,715***	***7,084,638***	***46.54%***
FRESH PRODUCE MARKET					
Mechanical Plant	1,000,000	800,000	-	800,000	0
Battery Driven Scrubbing Machine	700,000	900,000	-	900,000	0
SUB TOTAL	***1,700,000***	***1,700,000***	***-***	***1,700,000***	***0.00%***
ENGINEERING SERVICES					
Vehicle Leasing	32,974,713	32,974,713	-	32,974,713	0
20 Ton Trolley Hydraulic Jack	21,000	21,000	15,911	5,089	75.76
Tyre Changing Machine For Contruction Eq	100,000	121,000	106,000	15,000	87.6
Four (4)Off Two-Post Car Lifts	200,000	179,000	164,500	14,500	91.89
Heavy Duty Pressure Cleaner For Construc	15,000	15,000	12,099	2,901	80.66
Paving For Botshabelo Workshop Area	120,000	120,000	-	120,000	0
Vehicle Lwb	222,090	222,090	-	222,090	0
Vehicle Sedan	255,785	255,785	-	255,785	0
Mobile Environmental Education Unit	-	85,002	20,363	64,639	23.95
Upgr Of Streets And Stormwater: Toordan	8,000,000	-	-	-	0
Upgr Of Streets And Stormwater: Dispens	3,400,000	775,081	775,047	34	99.99
Upgr Of Streets And Stormwater: Mocher	3,000,000	-	-	-	0

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Upgr Of Streets And Stormwater: Man Rd	1,000,000	41,667	41,666	1	99.99
Upgr Of Streets And Stormwater: Ngycay	1,050,000	168,354	128,193	40,161	76.14
Upgr Of Streets And Stormwater: Man Rd	2,100,000	116,571	74,851	41,720	64.21
Upgr Of Streets And Stormwater: Man Rd	900,000	48,503	15,450	33,053	31.85
Upgr Of Streets And Stormwater: Batho 6	600,000	70,647	-	70,647	0
Upgr Of Streets And Stormwater: Batho (	1,000,000	733,471	733,299	172	99.97
Upgr Of Streets And Stormwater: Batho R	1,015,790	120,008	90,243	29,765	75.19
Upgr Of Streets And Stormwater: Batho (	6,111,909	4,165,733	4,149,959	15,774	99.62
Upgr Of Streets And Stormwater: Batho	2,393,812	849,483	849,348	135	99.98
Upgr Of Streets And Stormwater: Batho (	916,764	232,261	232,261	-	100
Upgr Of Streets And Stormwater: Batho R	3,483,068	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	2,106,070	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	2,619,448	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	83,110	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	83,110	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	83,110	-	-	-	0
Upgr Of Streets And Stormwater: Batho R	83,108	-	-	-	0
Upgr Of Streets And Stormwater: Stormla	2,600,000	104,516	103,529	987	99.05
Upgr Of Streets And Stormwater: Lessing	2,200,000	1,291,979	1,057,807	234,172	81.87
Upgr Of Streets And Stormwater: Bot Rd	3,785,250	934,096	257,818	676,278	27.6
Upgr Of Streets And Stormwater: Maphisa	3,003,000	1,161,788	1,170,439	-8,651	100.74
Upgr Of Streets And Stormwater: Bot Rd	2,750,206	167,991	108,364	59,627	64.5
Upgr Of Streets And Stormwater: Tha Rd	3,260,473	155,220	155,220	-	100
Upgr Of Streets And Stormwater: Tha Rd	4,103,160	300,429	342,215	-41,786	113.9
Upgr Of Streets And Stormwater: Brandwa	4,300,000	231,000	207,900	23,100	90
Upgr Of Streets And Stormwater: Brandwa	1,100,000	100,750	90,676	10,074	90
Upgr Of Streets And Stormwater: Brandwa	1,400,000	-	-	-	0
Upgr Of Streets And Stormwater: Brandwa	1,200,000	107,000	94,749	12,251	88.55
Upgr Of Streets And Stormwater: Brandwa	275,000	49,188	-	49,188	0
Upgr Of Streets And Stormwater: Brandwa	275,000	88,233	77,400	10,833	87.72
Stormwater: Bainsvlei Mooiwater Stormwa	1,000,000	-	-	-	0
New Traffic Lights	700,000	-	-	-	0
Airport Link (Contribution To Sanral)	4,715,000	-	-	-	0
Electric Trailer Mounted Boom (Traffic S	600,000	600,000	-	600,000	0
Computer Equipment	200,000	200,000	-	200,000	0
Heavy Rehabilitation Of Hanger/ Harvey R	-	124,485	124,484	1	99.99
Epwp Upgrading Of Roads	3,896,000	-	-	-	0

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Man Rd 172 Upgrading Of Streets And Stor	-	109,224	109,224	-	100
Road 51 Upgrading Of Streets And Stormwa	-	164,132	166,062	-1,930	101.17
Abduraman 1 Upgrading Of Streets And Sto	-	135,202	135,201	1	99.99
Abduraman 2 Upgrading Of Streets And Sto	-	169,741	113,041	56,700	66.59
Hartzer St Upgrading Of Streets And Stor	-	104,030	104,030	-	100
Man Rd 105 Upgrading Of Streets And Stor	-	76,740	89,146	-12,406	116.16
Laavers St Upgrading Of Streets And Stor	-	179,920	131,563	48,357	73.12
Segoneco St Upgrading Of Streets And Sto	-	278,510	138,542	139,968	49.74
Man Road 164 Upgrading Of Streets And St	-	306,811	302,520	4,291	98.6
Man Road 165 Upgrading Of Streets And St	-	850,006	661,851	188,155	77.86
Sleeper Replacement And Thermit Welds	100,000	-	-	-	0
Unforeseen Stormwater Improvements	3,000,000	8,380,000	8,339,733	40,267	99.51
Rehabilitation Of Stormwater Canals	1,500,000	4,759,007	4,636,182	122,825	97.41
Resealing Of Streets	20,000,000	62,419,897	62,262,452	157,445	99.74
Rehabilitation Of Haldon Road	1,000,000	472,700	438,432	34,268	92.75
Heavy Rehabilitation Of Eeufees Road	2,000,000	955,721	927,166	28,555	97.01
HEAVY REHABILITATION OF Sttgeorge STREET	100,000	13,758,172	13,293,675	464,497	96.62
Heavy Rehabilitation Of Wilcocks Road -	100,000	10,290,000	10,050,857	239,143	97.67
Heavy Rehabilitation Of Mc Gregor Street	1,000,000	591,896	591,405	491	99.91
Upgrading Of St Georges & First Avenue I	3,400,000	503,128	495,189	7,939	98.42
Replacement Of Obsolete And Illegal Sign	1,000,000	1,125,000	1,048,695	76,305	93.21
Streets And Stormwater Management Syste	500,000	500,000	500,000	-	100
Rehabilitation Of Bridges	1,500,000	1,185,333	1,082,616	102,717	91.33
Upgrading Of Roads & Sw - Leepile	-	1,885,515	1,807,356	78,159	95.85
Upgrading Of Roads: Bot Rd 1107	-	-	-	-	0
Upgrading Of Low Volume Road In Batho	-	1,310,759	1,308,663	2,096	99.84
Upgrading Of Roads & Sw Camp	-	81,216	4,476	76,740	5.51
Stormwater: Inner Ring Road/ Moshoeshoe	-	1,777,559	1,687,068	90,491	94.9
Rehabilitation Of Andries Pretorius Stre	-	21,452,084	19,832,800	1,619,284	92.45
Upgrading Of Roads & Sw Mokatho Vaphi St	-	4,554,855	4,554,854	1	99.99
Upgrading Of Roads & Sw Leepile Street	-	622,625	622,624	1	99.99
Upgrading Of Streets And Sw Batho R4	-	670,000	670,000	-	99.99
Upgrading Of Streets And Sw Batho R7	-	740,159	740,158	1	99.99
Upgrading Of Streets And Sw Batho R8	-	564,470	564,470	-	100
Upgrading Of Streets And Sw Batho R1	-	263,338	263,337	1	99.99
Unforeseen Stormwater Improvements	-	980,893	980,890	3	99.99
Rehabilitation Of Stormwater Canals	-	123,887	123,887	-	100

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Resealing Of Streets	-	6,503,818	6,188,590	315,228	95.15
Heavy Rehabilitation Of Wilcocks Road P2	-	1,931,143	1,931,142	1	99.99
Streets And Stormwater Management System	-	53,212	53,212	-	100
Upgr And Construction Of Northern Land	4,000,000	2,328,341	2,300,000	28,341	98.78
Upgr And Construction Of Southern Land	5,550,000	2,265,920	2,172,826	93,094	95.89
Upgr And Rehabilitations Of Botshabelo L	2,250,000	1,145,740	1,145,740	-	100
Development Of Transfer Station In Thaba	1,750,000	1,375,250	1,375,250	-	100
Upgr. & Construction Of Northern Landfil	-	1,274,556	1,274,556	-	99.99
Upgr. & Construction Of Southern Landfil	-	1,333,551	1,333,551	-	99.99
Upgr. & Rehabilitation Of Botshebelo Lan	-	1,157,222	1,157,222	-	99.99
Addition Of 10ml To Sterkwater Wwtw	3,709,435	80,000	80,000	-	99.99
Waterborne Sanitation In Bultfontein 2	-	-	-	-	0
Waterborne Sanitation In Ratau & Moroka	6,000,000	9,866,158	434,820	9,431,338	4.4
Waterborne Sanitation In Bultfontein 2 3	8,100,000	2,623,529	-	2,623,529	0
Waterborne Sanitation In Section F F Ex	8,000,000	8,000,000	-	8,000,000	0
Botshabelo Section J - Upgr Of Vip Toile	-	23,500,945	115,942	23,385,003	0.49
Botshabelo Section F Ext - Upgr Of Vip T	-	19,850,836	111,795	19,739,041	0.56
Waterborne Sanitation In Ratau & Moroka	-	-	9,153,881	-9,153,881	0
Waterborne Sanitation In Bultfontein 2 3	-	-	892,769	-892,769	0
Waterborne Sanitation In Section F F Ex	-	-	5,558,922	-5,558,922	0
Botshabelo Section J - Upgr Of Vip Toile	23,500,945	-	-	-	0
Botshabelo Section F Ext. - Upgr Of Vip	20,271,836	-	-	-	0
Botshabelo Section J Basic Sanitation	-	2,000,000	1,458,515	541,485	72.92
Botshabelo Section F And F Ext Basic San	-	2,000,000	1,561,151	438,849	78.05
Botshabelo Bulk Sewer Line Sec F	-	2,642,110	479,237	2,162,873	18.13
Thaba Nchu Seroalo Basic Sanitation	-	13,732,569	1,698,927	12,033,642	12.37
Botshabelo Section K Basic Sanitation	-	28,097,776	18,213,300	9,884,476	64.82
Thaba Nchu Bultfontein 3 Basic Sanitatio	-	200,000	195,798	4,202	97.89
Bloemside 6 Basic Sanitation	-	10,788,635	3,623,948	7,164,687	33.59
Botshabelo Section J Basic Sanitation	-	15,538,910	8,016,355	7,522,555	51.58
Botshabelo Section J - Upgr Of Vip Toile	-	-	7,131,102	-7,131,102	0
Botshabelo Section F Ext - Upgr Of Vip T	-	-	14,857,684	-14,857,684	0
North Eastern-Wwtw (15ml/Day) And 1 8 Km	70,480,000	108,180,000	100,340,218	7,839,782	92.75
2.5km Main Sewer From The Air Force Base	7,000,000	-	-	-	0
Mechanical And Electrical Works For Nort	40,100,000	27,700,000	27,386,439	313,561	98.86
Outfall From Bloemspruit Wwtw To The Rac	1,000,000	1,000,000	782,875	217,125	78.28
Addition Of 10ml To Sterkwater Wwtw	16,285,265	6,000,000	5,595,484	404,516	93.25

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Refurbishment Of Old Toilets	2,500,000	-	-	-	0
Upgrade Bulk Sewer For Brandwag Project	4,200,000	-	-	-	0
Refurbishment Of Sewer Systems	8,000,000	12,332,550	11,811,479	521,071	95.77
Refurbishment Of Bloemspruit Wwtw	8,000,000	-	-	-	0
North Eastern Wwtw (15ml/Day) And 1	-	538,189	538,189	-	100
Outfall From Bloemspruit Wwtw To The Rac	-	2,566,990	1,324,837	1,242,153	51.61
Waterborne Sanitation In Ratau & Moroka	-	6,163,198	4,835,552	1,327,646	78.45
Basic Sanitation In Thaba Nchu	-	887,610	842,406	45,204	94.9
Upgrading Of Sewer System In Freedom Squ	-	60	398,108	-398,048	999.99
Sewer Mains Connection To Northern Wwtw	-	119,863	-	119,863	0
Grassland And Bloemspruit Sewer Mains	-	1,470	-	1,470	0
Addition Of 10ml To Sterkwater Wwtw	-	4,135,392	2,288,673	1,846,719	55.34
Refurbishment Of Sewer System	-	13,169,293	13,035,016	134,277	98.98
SUB TOTAL	***391,198,457***	***530,359,410***	***411,673,469***	***118,685,941***	***77.62%***
WATER					
Basic Water To Stands Bw	5,000,000	1,658,890	1,380,133	278,757	83.19
Naval Hill Reservoir 35 Ml	16,388,347	5,034,156	2,911,191	2,122,965	57.82
Naval Hill Reservoir 35 Ml	6,000,000	374,989	374,988	1	99.99
Naval Hill Reservoir: 3.5km Supl And Del	26,000,000	2,500,000	2,289,205	210,795	91.56
Longridge Reservoir Supply Line 8.3 Km	25,000,000	29,714,320	25,070,342	4,643,978	84.37
Upgrading Of Maselspoort Pump Supply To	18,000,000	38,171,053	36,686,962	1,484,091	96.11
Botshabelo And Thaba Nchu Internal Bulk	10,000,000	10,000,000	3,608,266	6,391,734	36.08
Replace Pumps Maselspoort	-	18,779,480	-	18,779,480	0
Replace Pumps Maselspoort	12,000,000	27,268,793	26,644,403	624,390	97.71
Refurbishment Of Water Supply Systems	10,000,000	31,995,899	31,995,894	5	99.99
Naval Hill Reservoir 35 Ml	-	3,246,052	3,246,052	-	100
New 45 Ml Longridge Reservoir	-	1,248,922	-	1,248,922	0
Refurbishment Of Water Supply Systems	-	21,109,783	20,642,498	467,285	97.78
Upgrading Of Maselspoort Pump Supply To	-	146,467	146,467	-	99.99
Refurbishment Of Water Supply Systems: R	10,000,000	10,000,000	7,697,929	2,302,071	76.97
Metering Of Unmetered Sites	-	25,063,576	23,967,670	1,095,906	95.62
Metering Of Unmetered Sites	15,000,000	11,225,961	10,121,772	1,104,189	90.16
Refurbishment Of Water Supply Systems: A	5,000,000	-	-	-	0
Refurbishment Of Water Supply Systems: T	5,000,000	5,000,000	5,000,000	-	100
Replace Water Meters And Fire Hydrants	-	28,520,435	28,520,435	-	99.99
Valve Repair/ Replacement In Bloemfontei	-	-	-	-	0

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Replace Water Meters And Fire Hydrants	15,000,000	18,774,039	18,704,898	69,141	99.63
Replace Water Meters And Fire Hydrants	-	364	364	-	100
SUB TOTAL	***178,388,347***	***289,833,179***	***249,009,469***	***40,823,710***	***85.91%***
CENTLEC					
Vehicles	-	49,000,000	37,786,178	11,213,822	77.11
Implementation Of Business Continuity An	956,163	956,163	-	956,163	0
Implementation Of Workflow Crm And Quat	500,000	-	-	-	0
Website	-	1,500,000	-	1,500,000	0
Computer Replacement Equipment	-	2,000,000	1,791,728	208,272	89.58
Upgrade Of Curent Pabx To Voip Telcomms	1,000,000	1,000,000	-	1,000,000	0
Servitudes And Land (Including Investiga	1,000,000	1,000,000	-	1,000,000	0
Botshabelo: 132kv Line From Dc Around We	11,000,000	11,000,000	11,087,756	-87,756	100.79
Khayelitsha Electrification	-	18,000,000	17,611,055	388,945	97.83
Electrification Connections Dme	7,000,000	6,140,351	5,324,290	816,061	86.7
Meriting Dc: 132kv/11kv Dc	19,000,000	16,666,667	11,302,810	5,363,857	67.81
Botshabelo: 132kv/33/11kv Dc Sub F	16,000,000	14,035,088	20,230,215	-6,195,127	144.14
Demand Side Management	-	7,017,544	-	7,017,544	0
Electrification Connections Dme	7,000,000	-	-	-	0
Electrification Connections Dme	14,000,000	9,649,123	8,767,189	881,934	90.85
Clover Dc: 132kv/11kv 30mva Dc	10,000,000	-	-	-	0
Shannon A Dc: 132kv/11kv Dc	1,000,000	877,193	7,483,256	-6,606,063	853.09
Vista Park Dc: 132kv/11kv 20mva Dc	10,000,000	-	-	-	0
Fichardtpark Dc: 132kv/11kv 20mva Dc	8,000,000	7,017,544	-	7,017,544	0
Botshabelo: 132kv Eskom Connection & Ext	5,000,000	4,385,965	11,547,605	-7,161,640	263.28
Groenvlei Dc 132kv /11kv 20mva	-	8,771,930	-	8,771,930	0
Cecelia Dc 132 Kv /11kv 30mva Dc	-	8,771,930	-	8,771,930	0
Installation Of Prepaid Meters (Indig	1,000,000	1,000,000	811,330	188,670	81.13
Public Electricity Connections	11,888,364	17,676,161	22,608,870	-4,932,709	127.9
Upgrade Desktop Computers In Control Roo	-	200,000	199,273	727	99.63
Upgrading Of Ripple Control Equipment (Z	-	50,000	43,015	6,985	86.03
New Test Vehicle Test Equipment (Fully E	-	1,700,000	-	1,700,000	0
Transformer And Secondary Test Equipment	-	2,000,000	-	2,000,000	0
Current Transformer Test Sets	-	500,000	-	500,000	0
Relay Secondary Test Sets	-	800,000	-	800,000	0
Refurbishment Of The Tap Changer Control	200,000	200,000	-	200,000	0
Refurbishment Of Protection At Bayswater	543,837	543,837	-	543,837	0

Capital Expenditure Description	Approved Budget	Adjusted Budget	Actual Movement	Balance	% on Adj Budget
Replacement Laptops For Tecnicians (12)	-	120,000	104,481	15,519	87.06
Replacement Of 240 Mm Xlpe Between Sub A	-	7,000,000	13,183,628	-6,183,628	188.33
Replacement Of 2 & 4 Way Fibreglass Box	-	1,000,000	197,293	802,707	19.72
Replacement Of Brittle Overhead Connecti	-	700,000	349,490	350,510	49.92
Furniture And Office Equipment	2,000,000	7,000,000	6,613,150	386,850	94.47
Office Building	2,000,000	2,800,000	2,947,541	-147,541	105.26
Meter Project	22,000,000	22,000,000	31,724,569	-9,724,569	144.2
Replacement Of Low Voltage Decrepit 2 4	-	1,500,000	1,149,234	350,766	76.61
Network Refurbishment	-	-	5,059,245	-5,059,245	0
Upgrade And Refurbishment Of Centlec Com	500,000	500,000	261,690	238,310	52.33
Park West 132/T2b 45 Mva	-	4,500,000	-	4,500,000	0
Clover & Vista Dc S Park Access Control	-	350,000	-	350,000	0
Tibbie Visser Ripple Control	-	350,000	-	350,000	0
Remedial Work 132kv Southern Lines	-	4,000,000	-	4,000,000	0
Automated Maintenance System	-	500,000	-	500,000	0
132kv Northern Ring From Noordstad Dc To	-	8,771,930	-	8,771,930	0
Vending Back Office	5,000,000	4,385,965	3,494,262	891,703	79.66
Replacement Of Oil Plant	-	650,000	-	650,000	0
Replacement Of Decrepit Hamilton Substat	-	2,000,000	1,444,568	555,432	72.22
Replacement Of 110v Batteries For East Y	-	450,000	-	450,000	0
Replacement Of 11kv Switchgears For Magi	-	1,200,000	1,303,171	-103,171	108.59
Replacement Of 32 V Batteries	-	350,000	-	350,000	0
SUB TOTAL	***156,588,364***	***262,587,391***	***224,426,894***	***38,160,497***	***85.47%***
TOTAL	**865,988,708**	**1,291,817,852**	**1,059,521,092**	**232,296,760**	**82.02%**

VOLUME II

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MANGAUNG

AT THE HEART OF IT ALL

Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June, 2014

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
Executive Mayor	T M Manyoni
Deputy Executive Mayor	C L M Rampai
Speaker	M A Siyonzana
Chief Whip	Z E Mangcotywa
Mayoral Committee Members	L A Masoetsa M J Matsoelane M A Moeng X D Pongolo N G Mokotjo S A Monnakgori K N Rabela D M Sekakanyo M M Tsomela
Grading of the local authority	Metropolitan
Accounting Officer	S Mazibuko
Chief Financial Officer (CFO)	M E Mohlahlo
Registered office and business address	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
Auditors	The Auditor-General of South Africa
Enabling legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 2 of 2013)

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Abbreviations

1. Abbreviations used within the financial statements

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standard
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SOC	State Owned Company
VAR	Variance
BAL	Balance
ACT	Actual

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

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

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The accounting officer is responsible for the preparation of these consolidated annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, and has signed on behalf of the Municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 41 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2015 and in the light of this review and the current financial position, she is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the entity, she is supported by the entity's external auditors to express an independent opinion on the fair presentation of the consolidated annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors.

The consolidated annual financial statements set out on pages 6 to 118, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2014:

Member
Mazibuko S
Accounting Officer

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 954,402,367 (2013: surplus R 492,026,124).

2. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,978,680,342 and that the entity's total assets exceed its liabilities by R 12,025,143,158.

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

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 10 of 2014).

3. Subsequent events

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R 104,522,917

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off.

The accounting officer is not aware of any additional matters or circumstances arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The consolidated annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name:	S Mazibuko
Nationality:	South African

Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	13	241,387,287	184,281,914
Current portion of Non-current receivables	8	436,944	462,348
Other receivables from exchange transactions	11	81,601,007	84,835,461
Consumer receivables from exchange transactions	14	556,856,959	544,551,256
Consumer receivables from non-exchange transactions	15	347,938,313	114,032,235
Investments	12	186,559,010	-
Cash and cash equivalents	16	452,208,924	603,086,253
		1,866,988,444	**1,531,249,467**
Non-Current Assets			
Investment property	4	2,267,368,863	2,222,377,240
Property, plant and equipment	5	10,089,995,999	9,302,622,444
Intangible assets	6	110,280,177	112,467,033
Heritage assets	7	321,656,342	329,270,803
Non-current receivables	8	3,356,017	3,726,795
		12,792,657,398	**11,970,464,315**
Non-current assets held for sale and assets of disposal groups	17	7,560,000	7,560,000
Total Assets		**14,667,205,842**	**13,509,273,782**
Liabilities			
Current Liabilities			
Current portion of finance lease obligation	22	87,470,104	2,751,003
Current portion of borrowings	24	8,586,358	9,548,466
Current portion of provisions	25	124,418,952	121,053,518
Current portion of Operating lease liability	9	149,479	28,728
Payables from exchange transactions	28	744,903,811	670,808,014
Payables from non-exchange transactions	27	148,162,111	165,305,816
Consumer deposits	29	78,022,639	76,715,593
Defined benefit obligation	10	597,000	390,000
Unspent conditional grants and receipts	23	122,489,296	193,237,711
VAT payable	30	22,644,838	82,416,994
		1,337,444,588	**1,322,255,843**
Non-Current Liabilities			
Defined benefit obligation	10	559,648,000	455,489,000
Finance lease obligation	22	56,045,464	4,797,020
Borrowings	24	183,277,108	169,537,183
Operating lease liability	9	222,541	174,521
Provisions	25	322,451,697	313,109,917
FRESHCO Liability	26	182,973,286	178,377,360
		1,304,618,096	**1,121,485,001**
Total Liabilities		**2,642,062,684**	**2,443,740,844**
Net Assets		**12,025,143,158**	**11,065,532,938**
Reserves			
Revaluation reserve	18	900,318,550	907,540,042
Other NDR	21	60,000,000	60,000,000
Self Insurance reserve	19	77,209,573	77,484,513
COID reserve	20	8,934,693	11,457,126
Accumulated Surplus		10,978,680,342	10,009,051,257
Total Net Assets		**12,025,143,158**	**11,065,532,938**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	34	2,636,832,225	2,376,153,427
Rental of facilities and equipment	35	20,415,882	17,707,283
Interest received	36	188,877,161	162,578,258
Income from agency services		4,725,487	8,602,841
Licences and permits		433,435	431,226
Other income	38	87,549,869	117,206,778
Total revenue from exchange transactions		**2,938,834,059**	**2,682,679,813**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	969,482,446	514,177,402
Transfer revenue			
Government grants & subsidies	37	1,722,782,775	1,388,921,703
Fines		77,361,862	3,828,695
Total revenue from non-exchange transactions		**2,769,627,083**	**1,906,927,800**
Total revenue	32	**5,708,461,142**	**4,589,607,613**
Expenditure			
Employee related costs	40	(1,105,510,557)	(970,254,774)
Remuneration of councillors	41	(47,106,731)	(43,610,235)
Depreciation and amortisation	42	(388,851,807)	(376,682,076)
Impairment loss/ Reversal of impairments	48	290,854	(339,780)
Finance costs	49	(70,144,989)	(41,530,717)
Bad debt and provision for bad debt	43	(594,567,509)	(349,104,601)
Repairs and maintenance		(264,983,547)	(178,761,113)
Bulk purchases	44	(1,487,044,186)	(1,402,134,122)
Contracted services	45	(226,432,270)	(210,854,297)
Grants and subsidies paid	46	(11,070,710)	(8,941,314)
General expenses	39	(517,114,933)	(383,278,749)
Total expenditure		**(4,712,536,385)**	**(3,965,491,778)**
Operating surplus		**995,924,757**	**624,115,835**
Loss on disposal of assets		(27,494,959)	(35,697,968)
Gain/(loss) on fair value adjustments on assets		41,322,260	(23,418,387)
Fair value adjustments	47	(56,770,967)	(74,337,266)
Gain on disposal of non-current assets		1,421,276	1,363,910
		(41,522,390)	**(132,089,711)**
Surplus for the year		**954,402,367**	**492,026,124**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Self Insurance reserve	COID reserve	Total reserves	Accumulated Surplus	Total net assets
Opening balance as previously reported	618,016,605	60,000,000	77,595,746	11,764,522	767,376,873	9,469,494,624	10,236,871,497
Adjustments							
Prior year adjustments	57,247,850	-	-	-	57,247,850	32,005,749	89,253,599
Balance at 01 July 2012 as restated*	**675,264,455**	**60,000,000**	**77,595,746**	**11,764,522**	**824,624,723**	**9,501,500,373**	**10,326,125,096**
Changes in net assets							
Surplus for the year	-	-	-	-	-	492,026,124	492,026,124
Revaluation of Assets	247,381,718	-	-	-	247,381,718	-	247,381,718
Realisation of Revaluation Reserve	(15,106,131)	-	-	-	(15,106,131)	15,106,131	-
Insurance claims processed	-	-	(111,233)	(3,130,828)	(3,242,061)	3,242,061	-
Contributions received	-	-	-	2,823,432	2,823,432	(2,823,432)	-
Total changes	232,275,587	-	(111,233)	(307,396)	231,856,958	507,550,884	739,407,842
Opening balance as previously reported	776,141,327	60,000,000	77,484,513	11,457,126	925,082,966	10,107,810,878	11,032,893,844
Adjustments							
Prior year adjustments	131,398,715	-	-	-	131,398,715	(98,759,620)	32,639,095
Balance at 01 July 2013 as restated*	**907,540,042**	**60,000,000**	**77,484,513**	**11,457,126**	**1,056,481,681**	**10,009,051,258**	**11,065,532,939**
Changes in net assets							
Surplus for the year	-	-	-	-	-	954,402,367	954,402,367
Revaluation of Assets	5,207,852	-	-	-	5,207,852	-	5,207,852
Realisation of Revaluation Reserve	(12,429,344)	-	-	-	(12,429,344)	12,429,344	-
Insurance claims processed	-	-	(274,940)	(5,515,379)	(5,790,319)	5,790,319	-
Contributions Received	-	-	-	2,992,946	2,992,946	(2,992,946)	-
Total changes	(7,221,492)	-	(274,940)	(2,522,433)	(10,018,865)	969,629,084	959,610,219
Balance at 30 June 2014	**900,318,550**	**60,000,000**	**77,209,573**	**8,934,693**	**1,046,462,816**	**10,978,680,342**	**12,025,143,158**
Note(s)	18	21	19	20			

* Refer to Note 55 for items restated due to prior period errors.

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from customers		2,953,182,403	2,548,021,729
Grants		1,640,963,650	1,363,052,190
Interest income		168,282,043	158,371,787
		4,762,428,096	4,069,445,706
Payments			
Employee costs		(1,105,028,288)	(977,333,333)
Suppliers		(2,542,664,454)	(2,226,497,429)
Finance costs		(40,773,622)	(31,701,159)
		(3,688,466,364)	(3,235,531,921)
Net cash flows from operating activities	50	**1,073,961,732**	**833,913,785**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,175,132,874)	(748,059,674)
Purchase of investment property		(3,669,363)	-
Purchase of intangible assets		(5,746,081)	(15,762,967)
Purchase of heritage assets		-	(14,493,613)
Movement in financial assets		(186,162,828)	14,369,739
Interest received		20,595,118	4,206,471
Net cash flows from investing activities		**(1,350,116,028)**	**(759,740,044)**
Cash flows from financing activities			
Proceeds from borrowings		12,777,817	116,998,455
Movement in FRESHCO liability		4,595,926	76,592,482
Proceeds from consumer deposits		1,307,046	1,814,529
Finance lease receipts		135,967,545	1,491,988
Finance costs		(29,371,367)	(9,829,558)
Net cash flows from financing activities		**125,276,967**	**187,067,896**
Net increase/(decrease) in cash and cash equivalents		**(150,877,329)**	**261,241,637**
Cash and cash equivalents at the beginning of the year		603,086,253	341,844,616
Cash and cash equivalents at the end of the year	16	**452,208,924**	**603,086,253**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 68

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 68
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	568,524,000	182,243,000	**750,767,000**	969,482,446	**218,715,446**	A1, B1
Service charges	2,932,968,000	51,559,000	**2,984,527,000**	2,636,832,225	**(347,694,775)**	A2, B2
Investment revenue	177,902,000	3,000,000	**180,902,000**	188,877,161	**7,975,161**	A9
Transfers recognised - operational	654,372,000	53,024,000	**707,396,000**	933,889,371	**226,493,371**	A3, B3
Other own revenue	1,161,721,000	(4,254,000)	**1,157,467,000**	207,467,366	**(949,999,634)**	A4
Total Revenue (excluding capital transfers and contributions)	**5,495,487,000**	**285,572,000**	**5,781,059,000**	**4,936,548,569**	**(844,510,431)**	
Expenditure by type						
Employee costs	(1,191,122,000)	20,744,000	**(1,170,378,000)**	(1,077,816,886)	**92,561,114**	A5
Remuneration of councillors	(49,886,000)	-	**(49,886,000)**	(47,106,731)	**2,779,269**	A6
Debt impairment	(260,837,000)	85,000,000	**(175,837,000)**	(594,567,509)	**(418,730,509)**	A7
Depreciation & asset impairment	(449,583,000)	19,000,000	**(430,583,000)**	(388,851,807)	**41,731,193**	A8
Finance charges	(200,445,000)	1,700,000	**(198,745,000)**	(70,144,989)	**128,600,011**	A8
Materials and bulk purchases	(1,912,267,000)	(44,286,000)	**(1,956,553,000)**	(1,752,027,733)	**204,525,267**	A8, B4
Transfers and grants	(121,889,000)	(8,000,000)	**(129,889,000)**	(11,070,710)	**118,818,290**	A8, B5
Other expenditure	(1,182,444,000)	(124,807,000)	**(1,307,251,000)**	(829,453,241)	**477,797,759**	A8, B6
Total expenditure	**(5,368,473,000)**	**(50,649,000)**	**(5,419,122,000)**	**(4,771,039,606)**	**648,082,394**	
Surplus/(Deficit)	**127,014,000**	**234,923,000**	**361,937,000**	**165,508,963**	**(196,428,037)**	
Transfers recognised - capital	686,388,000	176,034,000	**862,422,000**	788,893,404	**(73,528,596)**	A3, B3
Contributions recognised - capital	11,888,000	5,788,000	**17,676,000**	-	**(17,676,000)**	
Surplus/(Deficit) after capital transfers & contribution	**825,290,000**	**416,745,000**	**1,242,035,000**	**954,402,367**	**(287,632,633)**	
Surplus/(Deficit) for the year	**825,290,000**	**416,745,000**	**1,242,035,000**	**954,402,367**	**(287,632,633)**	
Reconciliation						
Total Revenue Reconciliation						
Add: Fair value adjustments				56,770,967		R1
Subtract: Gain on disposal of assets				(1,421,276)		R1
Gain on fair value adjustments				(41,322,260)		
Loss on disposal of assets				2,953,400		
Total Expenses Reconciliation						
Subtract: Fair value adjustments				(56,770,967)		R1
Add: Gain on disposal of assets				1,421,276		R1
Gain on fair value adjustments				41,322,260		
Loss on disposal of assets				(2,953,400)		
Actual Amount in the Statement of Financial Performance				**954,402,367**		

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 68
Statement of Financial Position						
Assets						
Current Assets						
Cash	22,982,000	51,560,000	**74,542,000**	72,682,256	**(1,859,744)**	A10, B8
Call investment deposits	629,766,000	34,040,000	**663,806,000**	566,085,678	**(97,720,322)**	A10, B8
Consumer debtors	527,952,000	386,473,000	**914,425,000**	904,795,272	**(9,629,728)**	A10, B8
Other debtors	145,212,000	53,946,000	**199,158,000**	81,601,007	**(117,556,993)**	A10, B8
Current portion of long-term receivables	18,013,000	(5,247,000)	**12,766,000**	436,944	**(12,329,056)**	A10, B8
Inventory	43,413,000	225,398,000	**268,811,000**	241,387,287	**(27,423,713)**	A10, B8
	1,387,338,000	**746,170,000**	**2,133,508,000**	**1,866,988,444**	**(266,519,556)**	
Non-Current Assets						
Long-term receivables	2,486,000	1,500,000	**3,986,000**	3,356,017	**(629,983)**	A10, B8
Investments	25,000	(25,000)	**-**	-	**-**	
Investment property	1,344,209,000	(323,728,960)	**1,020,480,040**	2,267,368,863	**1,246,888,823**	A10, B8
Property, plant and equipment	10,018,263,000	1,783,705,000	**11,801,968,000**	10,089,995,999	**(1,711,972,001)**	A10, B8
Heritage assets	-	-	**-**	321,656,342	**321,656,342**	A10
Non-current assets held for sale	-	-	**-**	7,560,000	**7,560,000**	A10
Intangible	13,667,000	(4,770,207)	**8,896,793**	110,280,177	**101,383,384**	A10, B8
Other non-current assets	-	307,917,000	**307,917,000**	-	**(307,917,000)**	A10, B8
	11,378,650,000	**1,764,597,833**	**13,143,247,833**	**12,800,217,398**	**(343,030,435)**	
Total Assets	**12,765,988,000**	**2,510,767,833**	**15,276,755,833**	**14,667,205,842**	**(609,549,991)**	
Liabilities						
Current Liabilities						
Borrowings	4,622,000	9,067,555	**13,689,555**	8,586,358	**(5,103,197)**	A10, B8
Consumer deposits	89,933,000	(16,111,000)	**73,822,000**	78,022,639	**4,200,639**	B8
Trade and other payables	1,028,268,000	177,171,000	**1,205,439,000**	1,126,416,639	**(79,022,361)**	A10, B8
Provisions	-	139,643,000	**139,643,000**	124,418,952	**(15,224,048)**	A10,B8
	1,122,823,000	**309,770,555**	**1,432,593,555**	**1,337,444,588**	**(95,148,967)**	
Non-Current Liabilities						
Borrowings	249,593,000	(38,449,101)	**211,143,899**	239,322,572	**28,178,673**	A10, B8
Provisions	658,344,000	304,697,003	**963,041,003**	1,065,295,524	**102,254,521**	A10, B8
	907,937,000	**266,247,902**	**1,174,184,902**	**1,304,618,096**	**130,433,194**	
Total Liabilities	**2,030,760,000**	**576,018,457**	**2,606,778,457**	**2,642,062,684**	**35,284,227**	
Net Assets	**10,735,228,000**	**1,934,749,376**	**12,669,977,376**	**12,025,143,158**	**(644,834,218)**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	8,016,789,000	3,728,106,000	**11,744,895,000**	10,978,680,342	**(766,214,658)**	A10, B8
Reserves	2,718,439,000	(1,793,356,624)	**925,082,376**	1,046,462,816	**121,380,440**	A10, B8
Total community wealth/equity	**10,735,228,000**	**1,934,749,376**	**12,669,977,376**	**12,025,143,158**	**(644,834,218)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 68
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	4,206,726,000	360,003,000	**4,566,729,000**	2,953,182,403	**(1,613,546,597)**	A11, B9
Grants and subsidies	654,372,000	53,023,000	**707,395,000**	1,640,963,650	**933,568,650**	A11, B9
Government - capital	686,388,000	34,188,000	**720,576,000**	-	**(720,576,000)**	A11, B9
Interest	317,403,000	3,000,000	**320,403,000**	168,282,043	**(152,120,957)**	A11, B9
	5,864,889,000	**450,214,000**	**6,315,103,000**	**4,762,428,096**	**(1,552,674,904)**	
Payments						
Suppliers and employees	(4,686,926,000)	(75,543,000)	**(4,762,469,000)**	(3,647,692,743)	**1,114,776,257**	A11, B9
Finance charges	(200,445,000)	1,700,000	**(198,745,000)**	(40,773,622)	**157,971,378**	A11, B9
Transfers and Grants	(121,888,986)	(8,000,000)	**(129,888,986)**	-	**129,888,986**	A11, B9
	(5,009,259,986)	**(81,843,000)**	**(5,091,102,986)**	**(3,688,466,365)**	**1,402,636,621**	
Net cash flows from operating activities	**855,629,014**	**368,371,000**	**1,224,000,014**	**1,073,961,731**	**(150,038,283)**	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	1,000	-	**1,000**	-	**(1,000)**	A11
Interest income	-	-	**-**	20,595,118	**20,595,118**	
Decrease (increase) other non-current	55,000,000	-	**55,000,000**	(186,162,828)	**(241,162,828)**	A11
	55,001,000	**-**	**55,001,000**	**(165,567,710)**	**(220,568,710)**	
Payments						
Capital assets	(692,791,000)	(354,246,000)	**(1,047,037,000)**	(1,184,548,318)	**(137,511,318)**	A11, B9
Net cash flows from investing activities	**(637,790,000)**	**(354,246,000)**	**(992,036,000)**	**(1,350,116,028)**	**(358,080,028)**	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	40,393,583	4,500,000	**44,893,583**	12,777,817	**(32,115,766)**	A11, B9
Increase (decrease) in consumer depo	6,000,000	-	**6,000,000**	1,307,046	**(4,692,954)**	A11
	46,393,583	**4,500,000**	**50,893,583**	**14,084,863**	**(36,808,720)**	
Payments						
Movement of borrowing	(35,000,000)	-	**(35,000,000)**	111,192,104	**146,192,104**	A11
Net cash flows from financing activities	**11,393,583**	**4,500,000**	**15,893,583**	**125,276,967**	**109,383,384**	
Net increase/(decrease) in cash held	229,232,597	18,625,000	**247,857,597**	(150,877,330)	**(398,734,927)**	A11, B9
Cash/cash equivalents at the year begi	603,003,000	(112,511,000)	**490,492,000**	603,086,253	**112,594,253**	A11, B9
Cash and cash equivalents at the end of the year	**832,235,597**	**(93,886,000)**	**738,349,597**	**452,208,923**	**(286,140,674)**	

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the controlled entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and other receivables

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

Where the impairment for trade receivables and loans and other receivables is calculated on a portfolio basis which are based on historical loss ratios. These annual loss ratios are applied to loan balances in the portfolio. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance for slow moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

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

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy note 1.5 Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

1.4 Investment property

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

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

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

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition:

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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.

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity by registered valuators for every class separately.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

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

Land is not depreciated, except for landfill and quarry sites, as it has an indefinite useful life.

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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	30-53
Other vehicles	3-55
Fire arms	5-40
Environmental facilities	15
Community / Recreational facilities	6-100
Roads and Stormwater	5-100
Finance leases - Equipment	3-5
Specialised plant and equipment	3-55
Security	8-12
Sewerage and mains	40-100
Water and sewerage network	7-100
Quarries	20-30
Landfill sites	20-69
Housing	50

1.5 Property, plant and equipment (continued)

Other assets	3-35

The residual value, the useful life and depreciation method of each asset are reviewed annually, at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Derecognition:

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

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

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue from exchange transactions. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Commitments:

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 51. The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

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

1.7 Intangible assets (continued)

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

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that the asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Useful life
Computer software, other	3 - 30 years

Intangible assets are derecognised:

- on disposal (including disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.8 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.8 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The heritage assets of the entity shall not be depreciated but will be assessed at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The entity derecognises the carrying amount of heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.10 Financial instruments (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

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

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets 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 the collective assessment of impairment.
For collective assessment of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:
- Significant financial difficulty experienced by the borrower/debtor;

1.10 Financial instruments (continued)

- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
    - * the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
    - * National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group).
- Is the account in arrears for a period longer than the initial estimated repayment period
- Accounts with arrears of over 90 days showing no repayments in the last financial year
- accounts handed over for collection
- any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (example: an increased number of late payments)
- a breach in contract, such as a default in interest or capital payments

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment. The information which management will utilize should adequately reflect the current status, relating to the collectability of the receivables.

Refer to notes 11, 14, and 15 for the impact of the above application.

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account, whichever is appropriate. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Accounting Policies

1.10 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.11 Advance Receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 27 Payables from non-exchange transactions where these receipts in advance are disclosed.

1.12 Tax

VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.13 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.13 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

1.14 Inventories

The entity recognises inventories as an asset when,
(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.15 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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.

Non-current assets held for sale (or disposal group) are measured at the lower of its 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.

1.16 Impairment of cash-generating assets

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

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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

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

Depreciation/amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

All assets of the entity are accounted for as non cash-generating assets.

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation/amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

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

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

Short-term employee benefits

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

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

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

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

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

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

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

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

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Actuarial assumptions are included in the note of defined benefit obligation plan.

Other post retirement obligations

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

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

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

1.19 Provisions and contingencies (continued)

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

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

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

1.20 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue consists primarily of grants from National- and Provincial Government, services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity 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 obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Conditional grants and receipts

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

1.25 Internal reserves

Self insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Compensation for occupational injuries and diseases (COID) reserve

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

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

Accounting Policies

1.26 Revaluation reserve

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

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.27 Bonus pensionable service and medical boardings

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

1.28 Comparative figures

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

The comparative figures have been restated.

1.29 Offsetting

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

1.30 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Detailed disclosures are made in note 60 to the consolidated annual financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.31 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 61 to the consolidated annual financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.32 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

a) the MFMA, and which has not been condoned in terms of section 170;
b) the Municipal Systems Act, and which has not been condoned in terms of that act;
c) the Public Office-Bearers Act, 1998 (Act No.20 of 1998)
d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

Detailed disclosures are made in note 62 to the consolidated annual financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

Accounting Policies

1.33 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the consolidated annual financial statements. GRAP 18 has not been considered in developing these policies.

1.34 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget covers the fiscal period from 01-Jul-13 to 30-Jun-14.

The annual budget figures included in the consolidated annual financial statements are for the entity and do not include budget information relating to subsidiaries or associates. The separate budget for the entity has been recompiled for the presentation in the consolidated annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The statement of comparison of budget and actual amounts has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 68 to the consolidated annual financial statements.

1.35 Related parties

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.36 Events after the 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 consolidated financial statements are authorised for issue.

Two types of events can be identified:
(a) those that provide evidence of conditions that existed at the reporting date (referred to as adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (referred to as non-adjusting events after the reporting date).

The entity adjusts the amounts recognised in the consolidated annual financial statements to reflect adjusting events after the reporting date.

The entity does not adjust the amounts recognised in the consolidated annual financial statements to reflect non-adjusting events after the reporting date.

Accounting Policies

1.37 Free State Social Housing Company arrangement

The entity grants the right to use the Brandwag Property (Brandwag Flats) to Free State Social Housing Company (FRESHCO).

FRESHCO is the entity that uses the Brandwag Property (Brandwag Flats) to provide public services subject to the entity's control of the asset.

The FRESHCO agreement is a binding arrangement between the entity and FRESHCO in which:
- FRESHCO uses the Brandwag Property (Brandwag Flats) to provide a public service on behalf of the entity for a specified period of time; and
- FRESHCO is compensated for its services over the period of the arrangement.

The Brandwag Property (Brandwag Flats) is an asset used to provide public services in an arrangement that
- Is provided by the entity which:
- Is an existing asset of the entity or
- Is an upgrade to an existing asset of the entity.
- Is provided by FRESHCO which:
- FRESHCO constructs, develops, or acquires from a third party or
- Is an existing asset of FRESHCO.

The entity shall recognize an asset provided by FRESHCO and an upgrade to an existing asset of the entity as a Brandwag Property (Brandwag Flats) if:
- The entity controls or regulates what services FRESHCO must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the Brandwag Property (Brandwag Flats) recognised at its fair value.

Brandwag Property (Brandwag Flats) shall subsequently be accounted for in accordance with GRAP 17 - Property, Plant, and Equipment.

Where the entity recognises a Brandwag Property (Brandwag Flats), the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the Brandwag Property (Brandwag Flats), adjusted by the amount of any other consideration (e.g. cash) from the entity to FRESHCO, or from FRESHCO to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to FRESHCO for the construction, development, acquisition, or upgrade of a Brandwag Property (Brandwag Flats), and grants FRESHCO the right to earn revenue from third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and FRESHCO.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the FRESHCO arrangement.

The entity shall account for revenues from the FRESHCO arrangement in accordance with GRAP 9 - Revenue from Exchange Transactions.

Figures in Rand	2014	2013

2. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- Fines
- Advance receipts from customers

Fines

During the year, the entity changed its accounting policy with respect to the treatment of fines in order to conform with the benchmark treatment in GRAP 23. The change will ensure that the users of the consolidated annual financial statements have all relevant information available to enable them to make decisions and understand the consolidated annual financial statements completely.

Management do not have sufficient records relating to fines revenue to enable retrospective application of the standard. For this reason the change in accounting policy is applied prospectively.

Refer to note 1.21 for the accounting policy for fines.

Advance receipts from customers

During the year, the entity changed its accounting policy with respect to the treatment of advance receipts as this ensures that the users of the consolidated annual financial statements have all relevant information available to enable them to make decisions and understand the consolidated annual financial statements completely.

Refer to note 1.11 for the accounting policy on advance receipts from customers. The change in accounting policy is applied retrospectively.

Statement of financial position		
Decrease in payables from exchange transactions	-	159,104,070
Increase in payables from non-exchange transactions	-	(159,104,070)
	-	**-**

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	The most significant impact of the standard relates to actuarial gains and losses related to the Defined benefit obligation. The entity will only recognize these gains and losses in full in the year that it arises.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 12 (as revised 2012): Inventories	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 13 (as revised 2012): Leases	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• IGRAP16: Intangible assets website costs	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The changes to the standard do not have a material impact on the consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Not yet determined	It is unlikely that the standard will have a material impact on the annual financial statements. This is due to the fact that if consolidated financial statements is prepared, segment reporting only needs to be applied to the consolidated set of financial statements.
• GRAP 105: Transfers of functions between entities under common control	01 July 2015	It is unlikely that the standard will have a material impact on the consolidated annual financial statements.
• GRAP 106: Transfers of functions between entities not under common control	01 July 2015	It is unlikely that the standard will have a material impact on the consolidated annual financial statements.
• GRAP 107: Mergers	01 July 2015	It is unlikely that the standard will have a material impact on the consolidated annual financial statements.
• GRAP 20: Related parties	Not yet determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration.
• GRAP32: Service Concession Arrangements: Grantor	Not yet determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. Further it is unlikely that the standard will have a material impact on the consolidated annual financial statements.
• GRAP108: Statutory Receivables	Not yet determined	It is unlikely that the standard will have a material impact on the consolidated annual financial statements.

Figures in Rand	2014	2013

4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,267,368,863	-	2,267,368,863	2,222,377,240	-	2,222,377,240

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Fair value adjustments	Closing balance
Investment property	2,222,377,240	5,083,363	(1,414,000)	41,322,260	2,267,368,863

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Closing balance
Investment property	2,245,795,627	(23,418,387)	2,222,377,240

Pledged as security

None of the properties were pledged as security for any financial liability.

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

The investment properties were revalued with reference to the market values of the properties and the information at the deeds office.

The entity's investment properties were revalued at 30 June 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

There are no restrictions upon the realisation of the Investment Properties.

Due to the limitations of the financial system it was impractical to disclose the expenditure incurred relating to the Investment Property.

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,035,020,743	-	1,035,020,743	1,026,170,540	-	1,026,170,540
Buildings	1,270,677,599	(48,951,010)	1,221,726,589	1,240,069,735	(15,178,153)	1,224,891,582
Infrastructure	9,051,152,672	(2,130,738,445)	6,920,414,227	8,507,305,355	(2,129,788,313)	6,377,517,042
Community	1,020,942,824	(480,235,202)	540,707,622	928,669,319	(441,376,085)	487,293,234
Other property, plant and equipment	499,484,339	(127,357,521)	372,126,818	297,821,815	(111,071,769)	186,750,046
Total	**12,877,278,177**	**(2,787,282,178)**	**10,089,995,999**	**12,000,036,764**	**(2,697,414,320)**	**9,302,622,444**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Depreciation	Depreciation on disposals	Impairment reversal	Closing balance
Land	1,026,170,540	8,850,203	-	-	-	-	-	1,035,020,743
Buildings	1,224,891,582	67,793,111	-	(37,185,577)	(33,772,527)	-	-	1,221,726,589
Infrastructure	6,377,517,042	870,508,669	(42,059,117)	(6,738,745)	(293,256,619)	14,442,997	-	6,920,414,227
Community	487,293,234	135,228,898	(196,518)	(42,758,175)	(38,875,386)	15,569	-	540,707,622
Other property, plant and equipment	186,750,046	212,680,258	(10,496,771)	-	(20,665,117)	3,527,481	330,921	372,126,818
	9,302,622,444	**1,295,061,139**	**(52,752,406)**	**(86,682,497)**	**(386,569,649)**	**17,986,047**	**330,921**	**10,089,995,999**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Revaluations / Fair value adjustments	Depreciation	Depreciation - Disposals	Impairment reversal	Closing balance
Land	639,512,685	354,690,048	-	(121,000)	32,088,807	-	-	-	1,026,170,540
Buildings	1,034,201,801	95,089,272	-	34,334,797	71,260,229	(9,994,517)	-	-	1,224,891,582
Infrastructure	6,090,762,158	359,205,463	(61,832,930)	257,658,962	-	(295,121,470)	26,844,859	-	6,377,517,042
Community	479,963,309	64,889,457	(717,003)	(20,109,808)	-	(44,619,197)	7,886,476	-	487,293,234
Other property, plant and equipment	199,700,440	45,663,871	(36,952,549)	-	-	(27,652,402)	6,321,607	(330,921)	186,750,046
	8,444,140,393	**919,538,111**	**(99,502,482)**	**271,762,951**	**103,349,036**	**(377,387,586)**	**41,052,942**	**(330,921)**	**9,302,622,444**

Figures in Rand	2014	2013

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	136,801,508	-
Office equipment	4,963,341	8,142,973
	141,764,849	**8,142,973**

Revaluations

The effective date of the revaluations was 30 June, 2013. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The value of properties was determined based on the market values and the information obtained from the deed's office.
The valuation was performed after the following factors were taken into account:
- the useful lives and;
- the condition of the building.

There are no restrictions on the distribution of the revaluation surplus.

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	710,119,964	28,420,298	146,721,183	885,261,445
Additions/capital expenditure	751,082,931	74,013,062	25,826,965	850,922,958
Tranferred to additions/other assets	(96,975,704)	(42,758,175)	(82,478,807)	(222,212,686)
	1,364,227,191	**59,675,185**	**90,069,341**	**1,513,971,717**

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	452,520,236	14,399,638	101,784,878	568,704,752
Additions/capital expenditure	647,397,646	34,130,468	88,122,716	769,650,830
Tranferred to additions/other assets	(389,738,683)	(20,109,808)	(43,186,411)	(453,034,902)
	710,179,199	**28,420,298**	**146,721,183**	**885,320,680**

Refer to Appendix B for further details on the movements on PPE.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Figures in Rand	2014	2013

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Other intangible assets	125,849,225	(15,569,048)	110,280,177	122,296,516	(9,829,483)	112,467,033

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Closing balance
Other intangible assets	112,467,033	5,746,080	(7,932,936)	110,280,177

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Closing balance
Other intangible assets	102,910,387	15,763,021	(6,206,375)	112,467,033

Pledged as security

None of the intangible assets has been pledged as security for any financial liabilities.

Figures in Rand	2014	2013

7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,656,342	-	321,656,342	329,270,803	-	329,270,803

Reconciliation of heritage assets 2014

	Opening balance	Transfers	Revaluation increase/(decrease)	Closing balance
Heritage assets	329,270,803	(9,917,272)	2,302,811	321,656,342

Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers (WIP Additions)	Revaluation increase/(decrease)	Closing balance
Heritage assets	281,352,680	3,892,105	10,601,508	33,424,510	329,270,803

Restrictions on heritage assets

No restrictions are placed on any heritage assets.

Pledged as security

No heritage assets has been pledged as security for any financial liability.

Revaluations

Methods and assumptions used in determining fair value

The fair value of heritage assets were determined by an independent valuer as at 30 June 2013.

The fair value of the heritage assets were determined after considering the following conditions:
The condition of the asset
The useful life of the asset
The location of the asset.

There are no restrictions on the distribution of the balance of the revaluation reserve to owners of net assets.

There are no heritage assets used for more than one purpose.

Figures in Rand	2014	2013

8. Non-current receivables

Designated at fair value		
2,535 Unlisted shares - OVK Limited	22,815	16,782
At amortised cost		
Vehicle loans	-	920,603
Study loans	-	48,509
Erven loans	9,169,917	9,261,872
Housing selling scheme loans	47,742,835	47,484,041
Cricket stadium	9,466,383	9,450,444
Kopanong Local Municipality	1,841,385	2,073,586
Mohokare Local Municipality	988,847	1,105,150
Naledi Local Municipality	309,229	423,075
Consumer debtors - Arrangements	451,507	76,210
	69,970,103	70,843,490
Impairment - Vehicle loans	-	(900,472)
Impairment - Study loans	-	(48,506)
Impairment - Erven loans	(9,010,111)	(9,090,752)
Impairment - Housing selling scheme loans	(47,723,463)	(47,180,955)
Impairment - Cricket stadium	(9,466,383)	(9,450,444)
	3,770,146	**4,172,361**
Total other financial assets	**3,792,961**	**4,189,143**
Non-current assets		
Designated at fair value	22,815	16,782
At amortised cost	3,333,202	3,710,013
	3,356,017	**3,726,795**
Current assets		
At amortised cost	436,944	462,348

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Class 1 - Unlisted shares The shares were valued using quoted market prices.	22,815	16,782

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Class 1 - Unlisted shares	22,815	16,782

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Figures in Rand	2014	2013

8. Non-current receivables (continued)

Financial assets at amortised cost

Reconciliation of provision for impairment of financial assets at amortised cost

Impairment of vehicle loans		
Opening balance	900,471	956,114
Amounts written off as uncollectible	(900,471)	-
Unused amounts reversed	-	(55,643)
	-	**900,471**
Impairment of study loans		
Opening balance	48,506	48,509
Amounts written off as uncollectible	(48,506)	-
Unused amounts reversed	-	(3)
	-	**48,506**
Impairment of erven loans		
Opening balance	9,090,752	9,323,863
Unused amounts reversed	(80,641)	(233,111)
	9,010,111	**9,090,752**
Impairment of housing selling scheme loans		
Opening balance	47,180,954	45,179,178
Provision for impairment	542,508	2,001,776
	47,723,462	**47,180,954**
Impairment of cricket stadium		
Opening balance	9,450,444	-
Provision for impairment	15,939	9,450,444
	9,466,383	**9,450,444**

Details of financial assets at amortised cost:

Vehicle loans
Permanent staff obtained loans at 8.5% interest per annum repayable over a period of 3 to 6 years. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA. Other staff loans bear interest of prime plus 1% and are repayable over a period of 3 to 6 years.

Figures in Rand	2014	2013

8. Non-current receivables (continued)

Study loans
Staff members qualified for interest free study loans under the approved study scheme of the entity. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA.

Erven loans
Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

Housing selling scheme loans
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

Cricket stadium
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.

Loans to Municipalities
The capital funding provided to Kopanong, Mohokare and Naledi Local Municipalities by the municipal entity are repayable in monthly installments based on the estimated useful life of the capital assets. The capital advances bears interest at 10%.

Consumer debtor arrangements
Consumer debtors with arrangements with the municipal entity stretches over a period longer than 12 months.

Figures in Rand	2014	2013

9. Operating lease liability

Non-current liabilities	222,541	174,521
Current liabilities	149,479	28,728
	372,020	**203,249**

The municipal entity leases a building from Free State Development Corporation (FDC) situated in Botshabelo for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until the year 2016. The lease rental is escalated annually on 1 December by 10%. The straight lined amount was calculated as R 29,825 per month.

The municipal entity leases a building from Telkom SA (SOC) Ltd situated in Bloemfontein for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%. The straight lined amount was calculated as R 232,514 per month.

10. Defined benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below are represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post retirement medical aid plan

Medical aid contributions for retired employees and pensioners who were in the service of the Council on or before 1 October 1981 are subsidised by the entity.

Pension benefits

Pension gratuities are payable to retired employees based on certain criteria to be met as defined in the Entity Conditions of Service policy.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	560,245,000	455,879,000
Non-current liabilities	559,648,000	455,489,000
Current liabilities	597,000	390,000
	560,245,000	**455,879,000**

Figures in Rand	2014	2013

10. Defined benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	455,879,000	344,806,000
Interest costs	40,993,000	30,852,000
Current service cost	25,733,000	18,736,000
Benefits paid / (expected)	(18,499,179)	(14,873,676)
Actuarial (gain) / loss	56,139,179	76,358,676
	560,245,000	**455,879,000**

2011	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined Benefit obligation - 30 June 2010	2,693,000	348,226,000	43,222,000	394,141,000
Interest costs	236,000	34,821,000	2,948,000	38,005,000
Current service costs	-	21,278,000	4,230,000	25,508,000
Benefits paid (expected)	(478,000)	(5,995,000)	(3,902,000)	(10,375,000)
Actuarial (gains)/losses	4,263,000	(14,372,000)	5,141,000	(4,968,000)
	6,714,000	**383,958,000**	**51,639,000**	**442,311,000**

2012	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined Benefit obligation - 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest cost	555,000	35,100,000	4,744,000	40,399,000
Current service cost	61,000	14,242,000	4,518,000	18,821,000
Benefits paid (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (gains)/losses	(1,769,000)	(146,180,000)	5,286,000	(142,663,000)
	5,194,000	**280,551,000**	**59,061,000**	**344,806,000**

2013	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined benefit obligation - 30 June 2012	5,194,000	280,551,000	59,061,000	344,806,000
Interest cost	407,000	25,797,000	4,648,000	30,852,000
Current service cost	47,000	12,922,000	5,767,000	18,736,000
Benefits paid (expected)	(452,000)	(6,912,000)	(7,509,676)	(14,873,676)
Actuarial (gains)/losses	797,000	60,044,000	15,517,676	76,358,676
	5,993,000	**372,402,000**	**77,484,000**	**455,879,000**

2014	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined benefit obligation - 30 June 2013	5,993,000	372,402,000	77,484,000	455,879,000
Interest cost	453,000	34,729,000	5,811,000	40,993,000
Current service cost	43,000	17,517,000	8,173,000	25,733,000
Benefits paid (expected)	(381,000)	(7,566,000)	(10,552,179)	(18,499,179)
Actuarial (gains)/losses	(943,000)	54,590,000	2,492,179	56,139,179
	5,165,000	**471,672,000**	**83,408,000**	**560,245,000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - healthcare	9.60 %	9.20 %
Discount rates used - gratuity	8.55 %	7.85 %
Expected increase in healthcare costs	9.00 %	8.10 %
Medical cost trend rates	7.00 %	7.00 %
Expected increase in salaries	9.00 %	8.10 %
Expected pension increases	7.00 %	6.10 %
Inflation rate	7.00 %	6.10 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

Figures in Rand	2014	2013

10. Defined benefit obligations (continued)

Inflation sensitivities

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	1 % Increase	**1 % Decrease**
Effect on defined benefit obligation	60,497,000	396,323,000
Effect on the aggregate of the service cost	29,222,000	18,089,000
Effect on the aggregate of the interest cost	56,177,000	38,458,000

Amounts for the current and previous three years are as follows:

	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	560,245,000	455,879,000	344,806,000	442,311,000
Experience adjustments on plan liabilities	16,647,000	33,624,000	8,418,000	(25,607,000)

Figures in Rand	2014	2013

11. Other receivables from exchange transactions

Deferred lease	(109,552)	-
Interest on investments	425,416	633,037
Staff leave days receivable	420,690	819,532
Sundry debtors	109,259,565	90,292,128
Sundry debtors - Impairment	(81,327,862)	(40,260,398)
Deposits	710,779	202,326
DOE Grant - Southern Free State Towns	5,087,728	5,434,000
Insurance debtor	2,976,249	2,976,249
Kopanong Local Municipality	14,930,749	9,496,720
Mohokare Local Municipality	13,007,287	5,595,666
Naledi Local Municipality	14,484,740	7,696,639
Prepaid expenses	211,568	-
Other Receivables	761	408,011
Receipt Reversals	1,522,889	1,541,551
	81,601,007	**84,835,461**

Other receivables pledged as security:

None of the receivables were pledged as security for any financial liability.

Credit quality of other receivables:

The credit quality of other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Other receivables past due but not impaired:

Other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R 7,137,027 (2013: R 5,818,897) were past due but not impaired.

1 month past due	1,430,715	982,148
2 months past due	785,143	840,800
3 months past due	4,921,169	3,995,949
	7,137,027	**5,818,897**

Trade and other receivables impaired:

As of 30 June 2014, other receivables of R 81,327,862 (2013: R 40,260,398) were impaired and provided for.

The amount of the provision was R (81,327,862) as of 30 June 2014 (2013: (R 40,260,398)).

The ageing of these other receivables are as follows:

2 months	-	13,562
Over 3 months	81,327,862	40,246,836
	81,327,862	**40,260,398**

Reconciliation of provision for impairment of other receivables:

Opening balance	40,260,398	36,937,970
Impairment for the year	73,758,455	3,328,617
Amounts written off as uncollectible	(32,690,991)	(6,189)
	81,327,862	**40,260,398**

Sundry receivables consist out of debtors raised from other income recognised (refer to note 38).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the other receivables from exchange transactions.

Figures in Rand	2014	2013

12. Investments

Bank Investments		
Nedbank	62,320,938	-
First National Bank	62,278,735	-
ABSA	61,959,337	-
	186,559,010	**-**

The investments are short term fixed deposits for a period of between 201 and 241 days which earns interest between 5.82% and 5.93%.

13. Inventories

Raw material components	66,324,946	55,123,978
Consumable stores	6,372,611	4,744,071
Maintenance materials	220,396	1,745,589
Unsold Properties Held for Resale	165,641,657	120,210,657
Fuel (Diesel, Petrol)	1,189,407	1,146,007
Water in reservoirs	1,319,289	986,694
Water in pipes	370,454	333,777
	241,438,760	184,290,773
Inventories (write-downs)	(51,473)	(8,859)
	241,387,287	**184,281,914**

Inventory recognised as an expense		
Inventory expenses	6,645,911	5,552,831
Inventory written off	719,671	(28,591)
	7,365,582	**5,524,240**

No inventory was pledged as security for any financial liability.

Figures in Rand	2014	2013

14. Consumer receivables from exchange transactions

Water	1,046,777,385	914,995,381
Electricity	577,827,457	620,844,983
Sewerage	237,384,326	212,899,293
Refuse	101,036,663	26,588,013
Housing Rental	5,029,281	24,536,812
Unallocated deposits	220,252	220,252
Allowance for impairment	(1,411,418,405)	(1,255,533,478)
	556,856,959	**544,551,256**

Ageing of debtors

Water - ageing		
Current (0 - 30 Days)	115,054,219	67,316,468
31 - 60 Days	46,081,329	47,592,255
61 - 90 Days	37,099,403	41,090,338
91+ Days	827,231,667	744,836,569
Meter reading estimate	21,310,767	14,159,751
Subtotal	1,046,777,385	914,995,381
Allowance for Impairment	(783,617,434)	(683,568,562)
	263,159,951	**231,426,819**
Electricity - ageing		
Current (0 - 30 Days)	127,023,153	129,656,983
31 - 60 Days	63,028,100	49,064,485
61 - 90 Days	31,286,651	37,297,590
91+ Days	224,648,073	272,347,749
Meter reading estimate	132,408,765	132,488,153
Accrual prepaid sales	-	185,110
Discounting	(115,778)	(118,877)
Transferred to non-current receivables (Note 8)	(451,507)	(76,210)
Subtotal	577,827,457	620,844,983
Allowance for impairment	(402,512,277)	(377,628,950)
	175,315,180	**243,216,033**
Sewerage - ageing		
Current (0 - 30 Days)	31,163,474	14,099,848
31 - 60 Days	10,801,230	7,675,062
61 - 90 Days	9,675,179	6,275,852
91+ Days	185,744,443	184,848,531
Subtotal	237,384,326	212,899,293
Allowance for impairment	(158,519,902)	(158,412,813)
	78,864,424	**54,486,480**
Refuse - ageing		
Current (0 - 30 Days)	18,273,244	5,172,152
31 - 60 Days	7,442,723	2,846,379
61 - 90 Days	7,094,731	2,429,250
91+ Days	68,225,965	16,140,232
Subtotal	101,036,663	26,588,013
Allowance for impairment	(62,933,551)	(12,536,282)
	38,103,112	**14,051,731**

Figures in Rand	2014	2013

14. Consumer receivables from exchange transactions (continued)

Housing rental - ageing		
Current (0 - 30 Days)	453,793	315,270
31 - 60 Days	227,946	308,616
61 - 90 Days	216,666	303,882
91+ Days	4,130,876	23,609,044
Subtotal	5,029,281	24,536,812
Allowance for impairment	(3,835,241)	(23,386,871)
	1,194,040	**1,149,941**
Unallocated deposit - ageing		
91+ Days	220,252	220,252
Summary by customer classification		
Residential and sundry		
Current (0 - 30 Days)	134,726,512	112,850,611
31 - 60 Days	63,939,378	83,511,394
61 - 90 Days	50,358,185	51,640,850
91+ Days	1,097,092,133	1,017,470,294
Subtotal	1,346,116,208	1,265,473,149
Allowance for impairment	(940,832,193)	(800,866,545)
	405,284,015	**464,606,604**
Business / Commercial		
Current (0 - 30 Days)	113,322,833	87,050,312
31 - 60 Days	44,357,951	56,713,445
61 - 90 Days	25,774,815	21,132,831
91+ Days	162,076,773	140,557,671
Subtotal	345,532,372	305,454,259
Allowance for impairment	(68,073,935)	(77,037,983)
	277,458,437	**228,416,276**
Government		
Current (0 - 30 Days)	43,918,537	16,244,225
31 - 60 Days	19,284,001	4,765,177
61 - 90 Days	9,239,630	3,421,742
91+ Days	80,730,345	57,868,001
Subtotal	153,172,513	82,299,145
	153,172,513	**82,299,145**
Unallocated		
Unallocated deposits	220,252	220,252
Meter reading estimate - Water	21,310,767	14,159,751
Meter reading estimate - Electricity	132,408,765	132,488,153
Accrual prepaid sales	-	185,110
Discounting	(115,778)	(118,877)
Transferred to non-current receivables	(451,507)	(76,210)
	153,372,499	146,858,179
	153,372,499	**146,858,179**

Figures in Rand	2014	2013

14. Consumer receivables from exchange transactions (continued)

Total Ageing of Consumer Receivables from exchange transactions

Current (0 - 30 Days)	291,967,882	216,145,150
31 - 60 Days	127,581,330	144,990,016
61 - 90 Days	85,372,630	76,195,423
91+ Days	1,309,981,023	1,215,895,966
Meter reading estimate - Water	21,310,767	14,159,751
Meter reading estimate - Electricity	132,408,765	132,488,153
Unallocated deposits	220,252	220,252
Subtotal	1,968,842,649	1,800,094,711
Allowance for impairment	(1,411,418,405)	(1,255,533,478)
Discounting	(115,778)	(118,877)
Accrual prepaid sales	-	185,110
Transferred to non-current receivables	(451,507)	(76,210)
	556,856,959	**544,551,256**

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 268,876,722 (2013: R 260,484,455) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	67,248,540	59,404,460
2 months past due	64,545,076	50,404,191
3 months past due	137,083,106	150,675,804

Consumer receivables from exchange transactions impaired

As of 30 June 2014, consumer receivables from exchange transactions of R 1,411,418,405 (2013: R 1,255,533,478) were impaired and provided for.

The ageing of these receivables are as follows:

2 months	-	549,494
Over 2 months	1,411,418,405	1,254,983,984

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the Consumer receivables from exchange transactions.

Reconciliation of provision for impairment of consumer receivables from exchange transactions

Opening balance	(1,255,533,478)	(1,038,584,578)
Provision for impairment	(224,785,200)	(286,512,313)
Amounts written off as uncollectible	68,900,273	69,563,413
	(1,411,418,405)	**(1,255,533,478)**

Figures in Rand	2014	2013

15. Consumer receivables from non-exchange transactions

Rates	347,938,313	114,032,235
Rates		
Rates - Gross balance	724,871,609	436,569,652
Rates - Impairment	(376,933,296)	(322,537,417)
	347,938,313	**114,032,235**
Rates Ageing		
Current (0 - 30 days)	127,677,910	37,382,051
31 - 60 days	46,322,075	16,938,188
61 - 90 days	44,133,183	13,818,663
91+ days	506,738,441	368,430,750
	724,871,609	**436,569,652**
Summary of consumer receivables from non-exchange transactions by clas		
Residential and sundry		
Current (0 - 30 days)	44,322,257	17,359,485
31 - 60 days	14,811,507	7,729,446
61 - 90 days	13,662,739	6,408,897
91+ days	239,224,077	234,028,700
Subtotal	312,020,580	265,526,528
Less: Allowance for impairment	(234,862,394)	(226,337,816)
	77,158,186	**39,188,712**
Business / Commercial		
Current (0 - 30 days)	46,162,647	17,035,529
31 - 60 days	14,729,248	8,104,771
61 - 90 days	13,794,338	6,425,205
91+ days	161,275,910	115,591,637
Subtotal	235,962,143	147,157,142
Less: Allowance for impairment	(142,070,902)	(96,199,601)
	93,891,241	**50,957,541**
Government		
Current (0 - 30 days)	37,193,006	2,987,037
31 - 60 days	16,781,320	1,103,971
61 - 90 days	16,676,106	984,561
91+ days	106,238,455	18,810,413
	176,888,887	**23,885,982**

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The credit quality of consumer receivables were evaluated in terms of the risk group and ageing of the individual receivable account.

Figures in Rand	2014	2013

15. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 272,735,769 (2013: R 76,650,184) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	49,979,769	16,938,188
2 months past due	46,323,102	13,802,958
3 months past due	176,432,898	45,909,038

Consumer receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 376,933,296 (2013: R 322,537,417) were impaired and provided for.

The amount of the provision was R 376,933,296 as of 30 June 2014 (2013: R 322,537,417).

The ageing of these loans is as follows:

3 to 6 months	-	15,705
Over 6 months	376,933,296	322,521,712

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	322,537,417	272,433,076
Provision for impairment	300,509,868	56,224,889
Amounts written off as uncollectible	(246,113,989)	(6,120,548)
	376,933,296	**322,537,417**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from non-exchange transactions.

16. Cash and cash equivalents

Cash and cash equivalents consists of:

Cash on hand	115,849	105,949
Bank balances	72,566,407	173,672,492
Short-term deposits	379,526,668	429,307,812
	452,208,924	**603,086,253**

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.
The total overdraft facility available to the Mangaung Metropolitan Municipality is R 54,000,000.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F1+	452,093,075	602,980,304

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve - Note	20	8,934,693	11,457,126

The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

Figures in Rand	2014	2013

16. Cash and cash equivalents (continued)

Bank balances

	30 June 2014	30 June 2013	30 June 2012
Bank Statement Balances			
ABSA - Primary account - 470000465	27,491,702	46,586,845	42,086,668
ABSA - Fresh Produce Market - 470001348	2,043,264	3,833,927	2,418,766
ABSA - Cheque account - 4058833582	30,473,525	72,363,124	58,388,198
ABSA - Cheque - 4055133721	55	528,653	-
ABSA - Cheque - 4054065339	142,041	257,714	-
ABSA - Cheque - 470001402	7,032,350	2,453,152	-
ABSA - Cheque - 4054530924	8,424	1,335,059	-
ABSA - Cheque - 4078209583	202,707	19,805,133	99,208,123
ABSA - Cheque - 4080522070	21,344	14,176	-
ABSA - Cheque - 4080521896	6,970	145	-
	67,422,382	**147,177,928**	**202,101,755**
Cash book balances			
ABSA - Primary account - 470000465	30,910,107	48,690,127	44,408,057
ABSA - Fresh Produce Market - 470001348	2,043,264	3,833,927	2,418,766
ABSA - Direct deposits - 470001348	-	673,774	1,597,654
ABSA - Cheque account - 4058833582	34,266,178	105,476,575	136,450,888
ABSA - Cheque - 4055133721	55	526,034	-
ABSA - Cheque - 4054065339	142,041	237,547	-
ABSA - Cheque - 470001402	6,978,770	1,408,119	-
ABSA - Cheque - 4054530924	(6,530)	1,308,567	-
ABSA - Cheque - 4078209583	(1,795,792)	11,503,501	26,416,876
ABSA - Cheque - 4080522070	21,344	14,176	-
ABSA - Cheque - 4080521896	6,970	145	-
	72,566,407	**173,672,492**	**211,292,241**

Summary of short term deposits held

Short-term deposits held with ABSA	300,843,747	246,882,932
Short-term deposits held with FNB	7,933,807	106,822,989
Short-term deposits held with NEDBANK	32,808,933	26,954,840
Short-term deposits held with Standard Bank	37,940,181	48,647,051
	379,526,668	**429,307,812**

17. Non-current assets held for sale and assets of disposal groups

Non-current assets held for sale

Land	7,560,000	7,560,000

18. Revaluation reserve

Opening balance	907,540,042	675,264,455
Change during the year	5,207,852	247,381,718
Realisation of revaluation reserve	(12,429,344)	(15,106,131)
	900,318,550	**907,540,042**

There are no restrictions on the distribution of the revaluation surplus.
Comparative information has been restated due to correction of errors.

19. Self-insurance Reserve

Opening balance	77,484,513	77,595,746
Insurance claims processed	(274,940)	(111,233)
	77,209,573	**77,484,513**

Figures in Rand	2014	2013

20. COID Reserve

Opening balance	11,457,126	11,764,522
Contributions	2,992,946	2,823,432
Insurance claims processed	(5,515,379)	(3,130,828)
	8,934,693	**11,457,126**

21. Other NDR

Closing balance	60,000,000	60,000,000

In accordance with the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R 60,000,000 is to be held as a non-distributable reserve.

22. Finance lease obligation

Minimum lease payments due		
- within one year	66,390,909	4,623,781
- in second to fifth year inclusive	94,904,508	3,609,719
	161,295,417	8,233,500
less: future finance charges	(17,779,849)	(685,477)
Present value of minimum lease payments	**143,515,568**	**7,548,023**
Present value of minimum lease payments due		
- within one year	55,271,514	4,128,172
- in second to fifth year inclusive	88,244,054	3,419,851
	143,515,568	**7,548,023**
Non-current liabilities	56,045,464	4,797,020
Current liabilities	87,470,104	2,751,003
	143,515,568	**7,548,023**

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

Figures in Rand	2014	2013

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial grant - Upgrade housing in Batho	182,175	1,749,275
Provincial grant - Hlasela project - Batho car wash	-	60,000
Provincial Administration Grant Stadiums	219,006	6,638,800
DBSA - Capacity building programme grant	-	234,104
Municipal accreditation project funding - Housing grant	3,628,261	14,263
DWAF - Water conservation Grant	-	455,016
Local government and housing grant - Infrastructure Graslands area	3,965,043	3,965,043
Motheo - Contribution environmental health grant	9,346,371	9,813,076
Department of Water affairs - ACIP	-	6,000,000
Provincial grant - Upgrading roads in Batho	76,740	81,216
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Iphahamilseng centre	3,703	3,703
Provincial grant - Planning and surveying	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	-	135,964
Expanded Public Works Progressive Incentive Grant	138,463	4,061,307
Urban renewal grant	-	280,553
Urban settlement development grant	70,726,573	129,450,242
Public transport infrastructure and systems fund grant	597,471	23,661,544
City of Ghent	1,453,936	1,640,461
Sustainable Human Settlement Grant	27,158,410	-
	122,489,296	**193,237,711**

The amounts will be recognised as revenue when conditions have been met.

Refer to note 37 for further details of grant movements.

24. Borrowings

At amortised cost		
DBSA Bloemfontein - Sewer 8001/104	10,674,907	12,858,820
DBSA Bloemfontein - Water 8001/104	1,895,438	3,023,256
DBSA - FS1034/01	134,389,369	116,105,109
DBSA - FS1034/02	44,903,752	47,098,464
	191,863,466	**179,085,649**
Total other financial liabilities	**191,863,466**	**179,085,649**

These loans are from The Development Bank of South Africa and repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 March 2026 and the loans bear interest between 6% and 14%.

The entity did not default on any of the other financial liabilities, whether it be on the capital or the interest portions, and none of the terms attached to the other financial liabilities were renegotiated.

Non-current liabilities		
At amortised cost	183,277,108	169,537,183
Current liabilities		
At amortised cost	8,586,358	9,548,466

Figures in Rand	2014	2013

25. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	161,296,421	110,413	161,406,834
Rehabilitation of quarry sites	272,867,014	12,596,801	285,463,815
	434,163,435	**12,707,214**	**446,870,649**

Reconciliation of provisions - 2013

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	151,658,047	9,638,374	161,296,421
Rehabilitation of quarry sites	263,714,236	9,152,778	272,867,014
	415,372,283	**18,791,152**	**434,163,435**

Non-current liabilities	322,451,697	313,109,917
Current liabilities	124,418,952	121,053,518
	446,870,649	**434,163,435**

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2014.

Landfill sites consists of:	**Restoration date**
Botshabelo Landfill Site	2060
Northern Landfill Site	2022
Southern Landfill Site	2035

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the expected rehabilitation cost in 2014.

Quarries consists of:		**Restoration date**
Bloemfontein	Cecelia	2018
	Sunnyside	2018
Botshabelo	K-Section	2014
	F1-Section	2014
	F2.1-Section	2014
	F2.2-Section	2014
	W-Section	2014
	S-Section	2014
	B-Section	2014
Thaba Nchu	Seroala	2014
	Thubisi	2014
	Putsane	2014
	Merino	2014
	Rhakoi	2014
	Sediba	2014
	Rooibult	2014
	Kgalala	2014

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Figures in Rand	2014	2013

26. FRESHCO Liability

Non-current liability	182,973,286	178,377,360

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commences from 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 35 – Rental of facilities and equipment .

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

27. Payables from non-exchange transactions

Deposits	499,837	458,123
Other payables	1,591,605	1,591,605
Payments received in advance	146,070,669	163,256,088
	148,162,111	**165,305,816**

Included in Payments Received in Advance for the current financial year is an amount of R 10,024,998 (2013: R 10,150,443) for unallocated deposits.

28. Payables from exchange transactions

Trade payables	449,810,780	368,486,444
Payments received in advanced	61,088,115	110,717,920
Other payables	1,597,347	1,566,577
Deferred Revenue	7,882,940	8,086,342
Accrued leave pay	68,658,819	54,150,441
Accrued bonus	21,064,971	18,100,298
Operating expense accrual	6,102,047	-
Electricity connections	27,518,699	15,615,830
Retentions	71,766,059	56,485,894
Pending claims - Unfair dismissals	6,608,171	6,608,171
Other payables - Grants	8,760,316	2,035,699
Mantsopa Local Municipality	2,757,101	884,161
Deferred Lease Expenditure	4,533,217	4,525,692
Unallocated deposits received	6,361,095	12,046,372
Salaries Payable	394,134	11,498,173
	744,903,811	**670,808,014**

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 60 days (2013: 60 days).

The terms were not renegotiated before the consolidated annual financial statements were authorised for issue.

29. Consumer deposits

Water	28,529,176	27,676,875
Electricity	49,493,463	49,038,718
	78,022,639	**76,715,593**

Guarantees in lieu of consumer deposits (water) amounted to R 1,781,533 (2013: R 1,749,800)
Guarantees in lieu of vendor deposits (electricity) amounted to R 13,770,891 (2013: R 6,070,891)

Figures in Rand	2014	2013

30. VAT payable

VAT payable	22,644,838	82,416,994

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Disclosure in terms of the MFMA

Opening balance	82,416,994	106,548,444
VAT payable	569,757	19,633,031
VAT claimed not yet received	(60,341,913)	(43,764,481)
	22,644,838	**82,416,994**

Comparative information has been restated due to correction of prior period errors and omissions.

31. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	22,815	3,770,146	3,792,961
Other receivables from exchange transactions	-	81,601,007	81,601,007
Consumer receivables from exchange transactions	-	556,856,959	556,856,959
Cash and cash equivalents	-	452,093,075	452,093,075
Investments	-	186,559,010	186,559,010
	22,815	**1,280,880,197**	**1,280,903,012**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	191,863,466	191,863,466
Trade and other payables from exchange transactions	-	744,903,811	744,903,811
Trade and other payables from non-exchange transactions	-	148,162,111	148,162,111
Consumer deposits	78,022,639	-	78,022,639
Finance lease liability	-	143,515,568	143,515,568
	78,022,639	**1,228,444,956**	**1,306,467,595**

2013

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	16,782	4,172,361	4,189,143
Other receivables from exchange transactions	-	84,835,461	84,835,461
Consumer receivables from exchange transactions	-	544,551,256	544,551,256
Cash and cash equivalents	-	602,980,304	602,980,304
	16,782	**1,236,539,382**	**1,236,556,164**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	179,085,649	179,085,649
Trade and other payables from exchange transactions	-	670,808,014	670,808,014
Trade and other payables from non-exchange transactions	-	165,305,816	165,305,816
Consumer deposits	76,715,593	-	76,715,593
Finance lease liability	-	7,548,023	7,548,023
	76,715,593	**1,022,747,502**	**1,099,463,095**

Figures in Rand	2014	2013

32. Revenue

Service charges	2,636,832,225	2,376,153,427
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	188,877,161	162,578,258
Income from agency services	4,725,487	8,602,841
Licences and permits	433,435	431,226
Other income	87,549,869	117,206,778
Property rates	969,482,446	514,177,402
Government grants & subsidies	1,722,782,775	1,388,921,703
Fines	77,361,862	3,828,695
	5,708,461,142	**4,589,607,613**

Revenue arising from exchange transactions are as follows:		
Service charges	2,636,832,225	2,376,153,427
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	188,877,161	162,578,258
Income from agency services	4,725,487	8,602,841
Licences and permits	433,435	431,226
Other income	87,549,869	117,206,778
	2,938,834,059	**2,682,679,813**

Revenue arising from non-exchange transactions are as follows:		
Taxation revenue		
Property rates	969,482,446	514,177,402
Transfer revenue		
Government grants & subsidies	1,722,782,775	1,388,921,703
Fines	77,361,862	3,828,695
	2,769,627,083	**1,906,927,800**

Figures in Rand	2014	2013

33. Property rates

Rates levied

Residential and business/commercial	723,435,501	447,213,026
Government	246,046,945	66,964,376
	969,482,446	**514,177,402**

Valuations

Residential	69,752,244,308	31,714,979,102
Commercial	20,935,681,736	8,093,269,534
State	10,845,727,160	3,763,823,449
Municipal	4,369,644,135	3,077,508,175
	105,903,297,339	**46,649,580,260**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 70,000 of the rateable value of residential property are exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2014:
From 1 July 2013 the basic rates were adjusted as follows:

- R0.005457 on the value of rateable farm property
- R0.005457 on the value of rateable residential property
- R0.024836 on the value of rateable government property
- R0.024836 on the value of rateable business/commercial property

2013:
From 1 July 2012 the basic rates were adjusted as follows:

- R0.019490 on the value of rateable farm property
- R0.007796 on the value of rateable residential property
- R0.019490 on the value of rateable government property
- R0.038620 on the value of rateable business/commercial property

Figures in Rand	2014	2013

34. Service charges

Sale of electricity	1,701,340,744	1,657,983,609
Sale of water	612,264,311	514,366,577
Sewerage and sanitation charges	201,495,760	143,926,522
Refuse removal	121,731,410	59,876,719
	2,636,832,225	**2,376,153,427**

35. Rental of facilities and equipment

Premises	2,486,498	1,997,537
Facilities and equipment	17,929,384	15,709,746
	20,415,882	**17,707,283**

Rental of premises		
Premises	1,036,990	1,016,748
Venue hire	1,449,508	980,789
	2,486,498	**1,997,537**

Rental of facilities and equipment		
Rental of facilities	16,897,422	14,778,406
Rental of equipment	555,828	479,332
Other	476,134	452,008
	17,929,384	**15,709,746**

No contingent rent was due for the reporting period.

36. Interest received

Cash and cash equivalents	25,543,425	27,344,471
Interest charged on consumer receivables	140,705,942	129,217,453
Financial assets at amortised cost	1,387,443	1,400,802
Interest on Investments	20,595,118	4,206,471
Interest on loans and receivables from exchange transactions	645,233	409,061
	188,877,161	**162,578,258**

Figures in Rand	2014	2013

37. Government grants and subsidies

Operating grants		
Equitable share	605,072,000	612,520,711
Provincial grant - Upgrading roads in Batho	4,467	5,606,853
Provincial grant - CCTV	-	1,858,068
Provincial grant - Batho car wash	60,000	90,000
Provincial grant - Re Ba Ikemetseng Bomme	-	100,000
Financial management grant	1,500,000	1,960,154
Municipal accreditation project funding - Housing grant	1,386,002	53,042
Fuel levy grant	243,022,000	237,704,000
CHAN 2014 National sport and recreation grant	28,500,000	-
National electrification program grant	42,000,000	25,000,000
City of Ghent - Youth Development	490,515	-
Department of Water Affairs	12,900,000	-
Electricity demand side management grant	8,000,000	-
DBSA - Capacity building programme grant	234,104	-
Provincial grant - Township establishment - Caleb Motshabi	135,964	-
Urban renewal grant	280,553	-
Motheo - Contribution environmental health grant	466,705	-
Provincial administration Grant Stadiums	6,419,794	-
	950,472,104	884,892,828
Capital grants		
DBSA - Environmental Impact Assessment Grant	-	916,000
Expanded Public Works Program Incentive Grant	7,818,844	1,852,693
DWAF - Water conservation grant	7,584,395	9,539,984
Public transport infrastructure and systems fund grant	27,056,073	11,338,239
Urban settlement development grant	655,442,669	478,996,168
Provincial grant - Du Plessis Muller intersection	-	554,640
Municipal systems improvement grant	-	831,151
Provincial grant - Upgrade housing in Batho	1,567,100	-
Sustainable Human Settlement Grant	72,841,590	-
	772,310,671	504,028,875
	1,722,782,775	**1,388,921,703**

Equitable Share

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

Current year receipts	605,072,000	612,520,711
Conditions met - transferred to revenue	(605,072,000)	(612,520,711)
	-	-

Provincial Grant - Upgrading housing Batho

Balance unspent at beginning of year	1,749,275	1,749,275
Conditions met - transferred to revenue	(1,567,100)	-
	182,175	**1,749,275**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.

Provincial grant - CCTV

Balance unspent at beginning of year	-	1,858,068
Conditions met - transferred to revenue	-	(1,858,068)
	-	-

This was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Naval Hill.

Figures in Rand	2014	2013

37. Government grants and subsidies (continued)

Provincial grant - Batho car wash

Balance unspent at beginning of year	60,000	150,000
Conditions met - transferred to revenue	(60,000)	(90,000)
	-	**60,000**

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.

Provincial Administration Grant Stadiums

Balance unspent at beginning of year	6,638,800	6,638,800
Conditions met - transferred to revenue	(6,419,794)	-
	219,006	**6,638,800**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.

DBSA - Capacity building programme grant

Balance unspent at beginning of year	234,104	234,104
Conditions met - transferred to revenue	(234,104)	-
	-	**234,104**

Conditions still to be met - remain liabilities (see note 23).

The grant was allocated to the entity to assist with capacity building.

Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	14,263	67,305
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(1,386,002)	(53,042)
	3,628,261	**14,263**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

DWAF - Water conservation Grant

Balance unspent at beginning of year	455,016	-
Current-year receipts	7,129,379	9,995,000
Conditions met - transferred to revenue	(7,584,395)	(9,539,984)
	-	**455,016**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment work at resource development.

Local government and housing grant - Infrastructure Grasslands area

Balance unspent at beginning of year	3,965,043	3,965,043

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated for housing infrastructure projects for the Grassland area.

Figures in Rand	2014	2013

37. Government grants and subsidies (continued)

Motheo - Contribution environmental health grant

Balance unspent at beginning of year	9,813,076	9,813,076
Conditions met - transferred to revenue	(466,705)	-
	9,346,371	**9,813,076**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

Department of Water Affairs

Balance unspent at beginning of year	6,000,000	-
Current-year receipts	6,900,000	6,000,000
Conditions met - transferred to revenue	(12,900,000)	-
	-	**6,000,000**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer theses schemes to local government.

Provincial grant - Upgrading roads in Batho

Balance unspent at beginning of year	81,216	5,688,069
Conditions met - transferred to revenue	(4,476)	(5,606,853)
	76,740	**81,216**

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.

Provincial grant - Grassland area

Balance unspent at beginning of year	4,500,000	4,500,000

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with housing infrastructure projects for the Grassland area.

Provincial grant - Hlasela project - Iphahamilseng centre

Balance unspent at beginning of year	3,703	3,703

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the project, for swings, computer internet services and adopting the Iphahamilseng centre for vulnerable children.

Provincial grant - Planning and surveying

Balance unspent at beginning of year	493,144	493,144

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.

Figures in Rand	2014	2013

37. Government grants and subsidies (continued)

Provincial grant - Township establishment - Caleb Motshabi

Balance unspent at beginning of year	135,964	135,964
Conditions met - transferred to revenue	(135,964)	-
	-	**135,964**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with the establishing of the township establishment Caleb Motshabi.

Expanded Public Works Progressive Incentive Grant

Balance unspent at beginning of year	4,061,307	5,914,000
Current-year receipts	3,896,000	-
Conditions met - transferred to revenue	(7,818,844)	(1,852,693)
	138,463	**4,061,307**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the Grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

Urban renewal grant

Balance unspent at beginning of year	280,553	280,553
Conditions met - transferred to revenue	(280,553)	-
	-	**280,553**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated for the development of erven.

Urban settlement development grant

Balance unspent at beginning of year	129,450,242	115,715,078
Current-year receipts	596,719,000	492,731,332
Conditions met - transferred to revenue	(655,442,669)	(478,996,168)
	70,726,573	**129,450,242**

Conditions still to be met - remain liabilities (see note 23).

The grant was allocated to the entity for People's Housing Process (PHP) housing infrastructure projects in Thaba Nchu.

Financial management grant

Balance unspent at beginning of year	-	472,277
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,960,154)
Surrendered to National Treasury	-	(12,123)
	-	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Figures in Rand	2014	2013

37. Government grants and subsidies (continued)

Public transport infrastructure and systems fund grant

Balance unspent at beginning of year	23,661,544	56,632,691
Current-year receipts	20,000,000	20,000,000
Conditions met - transferred to revenue	(27,056,073)	(11,338,239)
Surrendered to National Treasury	(16,008,000)	(41,632,908)
	597,471	**23,661,544**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with the agreed project plans.

City of Ghent - Youth Development

Balance unspent at beginning of year	1,640,461	1,156,012
Current-year receipts	303,990	-
Conditions met - transferred to revenue	(490,515)	484,449
	1,453,936	**1,640,461**

Conditions still to be met - remain liabilities (see note 23).

The grant is given by the City of Ghent for youth development.

Sustainable Human Settlement Grant

Current-year receipts	100,000,000	-
Conditions met - transferred to revenue	(72,841,590)	-
	27,158,410	**-**

Conditions still to be met - remain liabilities (see note 23).

The grant is used to supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Municipal systems improvement grant

Balance unspent at beginning of year	-	831,151
Conditions met - transferred to revenue	-	(831,151)
	-	**-**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.

Provincial grant - Du Plessis / Muller intersection

Balance unspent at beginning of year	-	554,640
Conditions met - transferred to revenue	-	(554,640)
	-	**-**

The purpose of the grant is to assist the entity with the Du Plessis / Muller intersection infrastructure project as part of the widening of Nelson Mandela Drive.

Figures in Rand	2014	2013

37. Government grants and subsidies (continued)

DBSA - Environmental impact assessment grant

Current-year receipts	-	916,000
Conditions met - transferred to revenue	-	(916,000)
	-	-

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

Fuel levy

Current-year receipts	243,022,000	237,704,000
Conditions met - transferred to revenue	(243,022,000)	(237,704,000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

National electrification programme

Current-year receipts	42,000,000	25,000,000
Conditions met - transferred to revenue	(42,000,000)	(25,000,000)
	-	-

Provide explanations of conditions still to be met and other relevant information.

Provincial grant - Re Ba Ikemetseng Bomme

Balance unspent at beginning of year	-	100,000
Conditions met - transferred to revenue	-	(100,000)
	-	-

The purpose of this grant is to assist the entity with the implementation of the Re Ba Ikemetseng Bomme swing project.

Electricity Demand Side Management Grant

Current-year receipts	8,000,000	-
Conditions met - transferred to revenue	(8,000,000)	-
	-	-

The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

CHAN 2014 National sport and recreation grant

Current-year receipts	28,500,000	-
Conditions met - transferred to revenue	(28,500,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 23).

The grant is used to assist host cities with the operational responsibilities associated with the hosting of the 2014 African Nations Championship.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Figures in Rand	2014	2013

38. Other income

Building plan fees	3,902,727	3,168,844
Donations received	32,621,913	14,149,260
Commission fresh produce market	17,895,461	16,077,725
Entrance fees	1,168,959	1,206,501
Grave plots	1,955,162	2,073,300
Human settlement reimbursement	-	55,772,781
Insurance collection	1,813,161	3,063,623
Parking fees	1,190,412	734,962
Reconnection of water	1,308,610	697,045
Removal fees	1,116,086	991,051
Sale of redundant material	3,142,296	4,110
Training	5,580,076	3,175,321
Sundry income	15,855,006	16,092,255
	87,549,869	**117,206,778**

Donations 2014:

The National Heritage Council of South Africa donated R1,000,000 to the entity as a contribution towards the hosting of the Golden Shield Heritage Awards in the city on 20 September 2013.
Nine (9) land parcels in the Thaba Nchu region, to the value of R 6,080,000 were received as a donation from the Department of Rural Development and Land Reform. These properties have been included in Property, Plant and Equipment as disclosed in Note 5 to the consolidated annual financial statements.

Donations 2013:

During the prior year, Mangaung Metro Municipality received the Nelson Mandela statue on Navil Hill as a donation to the value of R 3,892,105. Donations of various animals have been received from the general public by the Zoo amounting to R 543,203. These items have been included in Property, Plant and Equipment as disclosed in Note 5 to the consolidated annual financial statements.

Figures in Rand	2014	2013

39. General expenses

Advertising	8,067,604	4,302,060
Animal Costs	1,572,711	1,180,773
Bank charges & commission	9,368,040	8,602,591
Chemicals	4,227,104	3,176,139
Cleaning	4,794,088	7,370,816
Commission paid	61,695,886	42,953,480
Community development and training	984,470	3,444,512
Computer expenses	414,860	192,030
Conferences and seminars	10,144,703	5,486,240
Consumables	7,774,189	6,383,546
CHAN 2014 Expenditure	31,442,284	-
Electricity	1,512,558	8,775,826
Financial management grant projects	3,518,797	5,716,972
Fuel and oil	30,918,963	25,270,696
Hire	10,929,277	12,622,074
Insurance	32,819,460	5,534,521
Lease rentals on operating lease	4,119,361	3,723,115
Legal expenses	26,292,809	11,068,462
License fees	12,444,118	11,154,260
Indigent burials	987,270	1,074,367
Marketing	16,962,298	9,500,684
Metro transitional arrangements	310,264	1,211,884
Motor vehicle expenses	17,217,820	19,419,389
Penalties and interest	465,902	4,534,786
Postage and courier	5,828,692	5,344,558
Printing and stationery	9,784,510	9,061,577
Stock adjustments	(438,504)	(63,194)
Protective clothing	786,293	623,041
Reconnection test and removal - meters	(467,871)	4,990,865
Refreshments	1,084,549	782,292
Refuse	26,736,867	19,671,443
Rehabilitation of landfill and quarry sites	12,707,213	18,791,152
Special Projects	26,955,084	4,759,993
Sewerage and waste disposal	700,153	708,319
Skills development and training	8,340,289	2,132,352
Skills development levy	9,348,075	8,930,846
Software expenses	323,928	390,246
Staff welfare	624,368	1,627,604
Subscriptions and membership fees	10,758,709	9,985,923
Telephone and fax	14,758,350	15,909,351
Title deed search fees	11,914,858	81,766
Tools, plant and equipment	409,785	500,420
Tourism development	2,408,665	612,347
Travel and subsistence	1,938,341	1,690,694
Uniforms & protective clothing	3,637,227	3,648,702
Vacuum Services	612,009	5,405,550
Meter reading services	20,124,785	31,037,256
Water	450,947	3,449,476
Water research	3,132,558	2,782,387
Sundry expenses	45,670,217	27,724,560
	517,114,933	**383,278,749**

Figures in Rand	2014	2013

40. Employee related costs

Salaries and wages	700,445,229	625,772,136
Contributions to pension funds	106,218,273	96,362,749
Contributions to medical aid	53,372,170	45,719,064
Contributions to UIF	5,997,538	5,411,165
Overtime payments	106,739,718	96,851,765
Travel, car, accommodation, subsistence and other allowances	73,968,060	62,791,934
Housing benefits and allowances	2,782,047	3,045,073
Staff leave pay provision	27,693,671	12,993,109
Other short term costs	-	17,110
Long-service awards	222,179	2,269,676
Staff bonuses - 13th Cheques	2,964,672	476,993
Defined contribution plans - Current service costs	25,107,000	18,544,000
	1,105,510,557	**970,254,774**

Remuneration of the Accounting Officer		
Annual remuneration	2,022,633	1,882,771
Car and other allowances	278,505	287,863
Contributions to UIF, medical aid and pension fund	55,878	48,937
	2,357,016	**2,219,571**
Remuneration of the Chief Finance Officer		
Annual remuneration	1,373,022	1,331,681
Car and other allowances	477,032	415,585
Contributions to UIF, medical aid and pension fund	53,920	44,783
	1,903,974	**1,792,049**
Remuneration of Executive Director - Human Settlements		
Annual remuneration	1,329,769	1,245,269
Car and other allowances	207,620	216,703
Contributions to UIF, medical aid and pension fund	343,338	320,148
	1,880,727	**1,782,120**
Remuneration of Executive Director - Corporate Services		
Annual remuneration	714,786	1,019,172
Car and other allowances	583,471	518,315
Contributions to UIF, medical aid and pension fund	140,592	200,431
	1,438,849	**1,737,918**

The position was filled for 8 months during the 2013/14 financial year.

Remuneration of Acting Executive Director - Corporate Services		
Annual remuneration	235,996	-
Car and other allowances	46,400	-
Contributions to UIF, medical aid and pension fund	58,027	-
	340,423	**-**

The position had an official acting for a period of 4 months during the 2013/14 financial year as it was vacant.

Remuneration of Executive Director - Social Services		
Annual remuneration	1,311,135	1,233,609
Car and other allowances	251,373	222,247
Contributions to UIF, medical aid and pension fund	277,989	254,495
	1,840,497	**1,710,351**
Remuneration of Executive Director - Engineering		
Annual remuneration	1,365,242	1,260,643
Car and other allowances	447,633	427,893
Contributions to UIF, medical aid and pension fund	35,952	31,693
	1,848,827	**1,720,229**

Figures in Rand	2014	2013

40. Employee related costs (continued)

Remuneration of Executive Director - Economic Development and Planning		
Annual remuneration	1,616,538	1,507,032
Car and other allowances	267,632	266,304
Contributions to UIF, medical aid and pension fund	20,223	19,012
	1,904,393	**1,792,348**

Remuneration of Executive Director - Strategic Support & Service Delivery Regulation		
Annual remuneration	1,509,187	1,272,090
Car and other allowances	206,515	223,983
Contributions to UIF, medical aid and pension fund	72,856	65,802
	1,788,558	**1,561,875**

Figures in Rand	2014	2013

41. Remuneration of councillors

Councillors allowance	30,051,185	28,817,992
Cellphone and other allowances	2,753,078	1,171,807
Housing allowance	142,492	142,492
Medical Aid Contributions	423,319	349,240
Pension Contributions	3,165,613	3,066,566
Travel allowance	10,571,044	10,062,138
	47,106,731	**43,610,235**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

Executive Mayor		
Councillor allowance	719,475	693,167
Cellphone allowance	49,020	39,828
Medical aid contributions	17,280	17,280
Pension fund contributions	104,416	99,516
Travel allowance	280,390	267,038
	1,170,581	**1,116,829**
Deputy Executive Mayor		
Councillor allowance	572,574	551,476
Cellphone allowance	49,020	19,872
Medical aid contributions	17,280	17,280
Pension fund contributions	83,082	79,162
Travel allowance	224,312	213,631
	946,268	**881,421**
Speaker		
Councillor allowance	617,411	593,404
Cellphone allowance	49,020	1,656
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	224,312	213,631
	946,269	**864,217**
Chief Whip		
Councillor allowance	550,875	524,509
Cellphone allowance	28,068	19,872
Housing allowance	-	6,561
Pension fund contributions	80,003	76,327
Travel allowance	210,293	200,279
	869,239	**827,548**
Mayoral committee members		
Councillor allowance	4,769,556	4,299,356
Cellphone allowance	250,743	175,961
Housing allowance	80,246	80,246
Medical aid contributions	109,384	87,513
Pension fund contributions	617,540	574,417
Travel allowance	1,892,633	1,713,494
	7,720,102	**6,930,987**

Figures in Rand	2014	2013
Part time councillors		
Councillor allowance	22,821,295	22,226,721
Cellphone allowance	2,327,207	887,799
Housing allowance	24,000	24,000
Medical aid contributions	262,095	209,887
Pension fund contributions	2,280,571	2,201,525
Travel allowance	7,739,103	7,439,301
	35,454,271	**32,989,233**

42. Depreciation and amortisation

Intangible assets	7,932,937	6,206,321
Property, plant and equipment	380,918,870	370,475,755
	388,851,807	**376,682,076**

43. Bad debts and provision for bad debts

Consumer and other receivables impaired and written off	594,567,509	349,104,601

44. Bulk purchases

Water	382,809,314	336,562,227
Electricity	1,104,234,872	1,065,571,895
	1,487,044,186	**1,402,134,122**

45. Contracted services

Audit fees	22,690,954	18,192,112
Consultant fees	31,235,404	55,115,930
Debt collection fees	20,512,657	21,116,881
Integrated call centre	10,223,123	13,719,072
IPTN Planning	26,189,538	2,400,000
Investigations	-	3,219,436
Meter replacement	18,371,567	18,247,361
Security services	29,790,863	24,658,358
Other Contractors	67,418,164	54,185,147
	226,432,270	**210,854,297**

Figures in Rand	2014	2013

46. Grants and subsidies paid

Bursaries paid to employees	903,627	884,855
Central Agricultural Society	10,239	9,751
Cost of living allowance for pensioners	-	345
Free electricity services	9,580,765	7,482,322
Miscellaneous grants	161,859	169,546
SPCA	414,220	394,495
	11,070,710	**8,941,314**

Bursaries paid to employees
Bursaries are paid to employees in accordance with the approved study scheme.

Central Agricultural Society
The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

Cost of living allowance for pensioners
The allowance is applicable to pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

Employees and ex-employees
This is paid to employees who belong to a non-contributive gratuity scheme and is paid out on retirement, termination or death.

Free electricity services
The free electricity provided by Centlec (SOC) Limited and Eskom is recoverable from the equitable share grant.

Miscellaneous grants
These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

National Electrification Programme Grant
The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

SPCA - Society for the Prevention of Cruelty to Animals
The subsidy is paid annually to the society to assist them in performing their tasks.

47. Fair value adjustments

Actuarial gain/(loss) on defined benefit plan obligation	(56,777,000)	(74,340,000)
Other financial assets carried at fair value	6,033	2,734
	(56,770,967)	**(74,337,266)**

48. Impairment loss/reversal of impairments

Impairments		
Property, plant and equipment	(330,921)	330,921
The recoverable amount of the asset was assessed at the end of the 2012/13 financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised. During the 2013/14 financial year it was assessed that the condition relating to the original impairment loss no longer exists and that the impairment loss was reversed.		
Inventories	40,067	8,859
An assessment of the net realisable value against cost was performed and inventory was written down.		
	(290,854)	**339,780**

Figures in Rand	2014	2013

49. Finance costs

Non-current borrowings	21,637,284	9,759,835
Trade and other payables	14,622	908,159
Finance leases	7,734,083	69,723
Defined benefit obligation	40,759,000	30,793,000
	70,144,989	**41,530,717**

50. Cash generated from operations

Surplus	954,402,367	492,026,124
Adjustments for:		
Depreciation and amortisation	388,851,807	376,682,076
Gain on sale of assets and liabilities	27,494,959	35,697,968
Loss on sale of non-current assets and disposal groups	(1,421,276)	(1,363,910)
(Gain) loss on foreign exchange	(41,322,260)	23,418,387
Finance costs	29,371,367	9,829,558
Impairment	(330,921)	339,780
Movements in defined benefit obligation	104,366,000	110,871,676
Movements in provisions	12,707,214	18,791,152
Other non-cash items - Interest Income	(20,595,118)	(4,206,471)
Other non-cash item - Donation received	(6,080,000)	(3,892,105)
Changes in working capital:		
Inventories	(57,105,373)	(49,918,159)
Consumer receivables from exchange transactions	(12,305,703)	(15,698,843)
Consumer receivables from non-exchange transactions	(233,906,078)	(7,584,914)
Other receivables from exchange transactions	3,234,454	(113,808,194)
Payables from exchange transactions	74,095,797	(154,378,938)
VAT	(59,772,156)	(24,131,450)
Unspent conditional grants and receipts	(70,748,415)	(16,928,199)
Operating lease liability	168,771	203,249
Payables from non-exchange transactions	(17,143,704)	157,964,998
	1,073,961,732	**833,913,785**

Figures in Rand	2014	2013

51. Commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Infrastructure assets	375,673,666	509,967,605
• Other asset classes	94,760,181	54,834,286
	470,433,847	**564,801,891**

The capital expenditure will be financed from:		
Non-current borrowings	191,863,466	179,085,649
Unspent capital conditional grants and receipts	122,489,296	193,237,711
Own resources	156,081,085	192,478,531
	470,433,847	**564,801,891**

The commitment register was reconstructed during the current financial year to take into account the contingencies and variation orders resulting in the commitment disclosures for the 2013 financial year decreasing from R 595,027,749 to R 541,539,167. The infrastructure commitments increased from R 475,429,707 to R 486,704,881.

The above changes also affected the financing of the commitments with the own resources required decreasing from R 217,904,334 to R 169,215,807 There was also a decrease in the financing from Unspent capital conditional grants and receipts amounting to R 4,800,055. Refer to Note 55 regarding the details of the changes in the Unspent capital conditional grants and receipts.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3,743,609	1,239,029
- in second to fifth year inclusive	4,775,555	1,808,217
	8,519,164	**3,047,246**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per year. There are no renewal and/or purchase options . No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	4,590,559	3,306,825
- in second to fifth year inclusive	12,168,594	10,201,593
- later than five years	54,423,542	34,754,364
	71,182,695	**48,262,782**

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 17,929,384 (2013: R 15,709,749) has been recognised in the Statement of financial performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

Figures in Rand	2014	2013

52. Contingencies

Guarantees:

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,857,056	3,913,655

The prior year figure has been restated due to the availability of additional information. The effect of the restatement is an increase of R 26,256 in the guarantees balance.

Contingent liabilities:

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	28,549,767	2,023,275
Labour cases and employee related matters	6,250,000	2,810,423
Claims by individuals due to property damages in various incidents	1,966,307	80,000
Claims from suppliers due to contractual disputes	41,630,753	9,527,257
Centlec (SOC) Ltd: Litigation for prohibition of electricity disconnection-M Coetzee	200,000	200,000
Centlec (SOC) Ltd: Non performance against MNK Accountants	50,000,000	45,000,000
Centlec (SOC) Ltd: Non performance-Monnamakga Construction&DevelopmentCC	-	250,000
Centlec (SOC) Ltd: Litigation for breach of employment contract-Ramakarane	3,000,000	3,000,000
Centlec (SOC) Ltd: Litigation for the review of tariffs imposed on sectional title units	-	2,000,000
Labour disputes against Centlec (SOC)	-	150,000
Investigations of garnishes on employee payslips	200,000	-
Litigations of Centlec (SOC) Ltd vs Potgieter	250,000	-
Litigations of Easy pay extension of contract	400,000	-
Litigations of Centlec (SOC) Ltd vs Vuyani Security Services	750,000	-
Litigations of Centlec (SOC) Ltd vs Tlelai N.O. & Power Trust 66 (Lengau Hotel)	200,000	-
Litigations of Centlec (SOC) Ltd vs D.M. Letseli for re-instatement from suspension	479,682	-
Litigations of Centlec (SOC) Ltd vs M.P. Seboka relating to disciplinary hearings	909,728	-
	134,786,237	**65,040,955**

Contingent assets

The entity is taking legal actions against a supplier (Landis & GYR) for delivery of defective meters to Centlec (SOC) Ltd. and the result of the pending claim is uncertain. The claim is being contested based on legal advice. The certainty and the timing of the inflow of these assets are uncertain. The estimated amount of the contingent asset is R 2,000,000 (2013: R 2,000,000).

53. Related parties

Controlled entity:

A company, Centlec (SOC) Limited, of which Mangaung Metro Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

Compensation to directors and other key management of Centlec (SOC) Ltd		
Annual remuneration	7,999,639	5,622,683
Travel, motor car, accommodation, subsistence and other allowances	955,941	689,159
Contributions to UIF, Medical and Pension Funds	367,875	376,523
Acting allowance	531,852	1,381,870
Bonuses under remuneration	-	38,321
Leave paid	-	193,749
Directors fee	1,248,024	1,248,024
	11,103,331	**9,550,329**

Figures in Rand	2014	2013

54. Director's emoluments

Non-executive directors of the the Economic Entity

2014

	Directors' fees	Company contribution - UIF	Company contribution - SDL	Company contribution - SALGBC Fee	Total
Mr. LM Mbali (Chairperson)	312,012	1,785	3,120	51	316,968
Ms. FP Zitha (Deputy Chairperson)	208,008	1,785	2,080	51	211,924
Prof. L de Jager	121,334	1,213	1,213	51	123,811
Mr. MK Moroka	121,334	1,213	1,213	51	123,811
Mr. N Mokhesi	121,334	1,213	1,213	51	123,811
Mr. SG Xulu	121,334	1,213	1,213	51	123,811
Mr. SM Zimu	121,334	1,213	1,213	51	123,811
Mr. TJ Mongake	121,334	1,213	1,213	51	123,811
	1,248,024	**10,848**	**12,478**	**408**	**1,271,758**

2013

	Directors' fees	Company contribution - UIF	Company contribution - SDL	Total
Mr. LM Mbali (Chairperson)	312,012	1,713	4,335	318,060
Ms. FP Zitha (Deputy Chairperson)	208,008	1,713	2,890	212,611
Prof. L de Jager	121,334	1,237	1,686	124,257
Mr. MK Moroka	121,334	1,237	1,686	124,257
Mr. N Mokhesi	121,334	1,237	1,686	124,257
Mr. SG Xulu	121,334	1,237	1,686	124,257
Mr. SM Zimu	121,334	1,237	1,686	124,257
Mr. TJ Mongake	121,334	1,237	1,686	124,257
	1,248,024	**10,848**	**17,341**	**1,276,213**

55. Prior period errors

1. Prior period error - Revaluation reserve:

The accumulated surplus account was incorrectly credited instead of the revaluation reserve when assets were revalued during the prior year.

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

Statement of financial position		
Increase in Revaluation surplus	-	(10,404,624)
Decrease in Accumulated surplus	-	10,404,624

Figures in Rand	2014	2013

55. Prior period errors (continued)

2. Prior period error - VAT on management fee

During the prior year, the VAT on management fee were incorrectly levied before the invoices were paid by Centlec. The VAT on the streetlight consumption was also incorrectly accounted for when the payable was raised.

Statement of financial position		
Increase in VAT payable	-	(8,138,808)
Decrease in Centlec Intercompany loan	-	12,969,788
Increase in Payables from exchange transactions - (Trade Payables)	-	(4,830,980)
	-	-

3. Prior period error - VAT apportionment

In the current year the refund was received for the apportionment of VAT

Statement of financial position		
Increase in VAT payable	-	(813,784)
Decrease in Accumulated Surplus	-	813,784
	-	-

4. Prior period error - R51k repairs and maintenance difference

During the prior period an error occurred which led to the repairs and maintenance disclosed being overstated in the consolidated annual financial statements. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated surplus	-	51,861
Statement of financial performance		
Decrease in Repairs and maintenance	-	(51,861)
	-	-

5. Prior period error - Retentions released

Retentions which were incorrectly included within Sundry Debtors, but should have been released in prior years, were not released.

Statement of financial position		
Increase in Other Receivables - Sundry Receivables	-	9,635,988
Increase in Opening Accumulated Surplus	-	(9,635,988)
	-	-

6. Prior period error - City of Ghent Grant

During the prior financial year, the unspent portion of the City of Ghent Grant were not disclosed under unspent grants and subsidies, under Payables from non-exchange revenue. The effect of the correction is as follows:

Statement of financial position		
Decrease in Payables from non-exchange transactions - Other Payables	-	1,640,461
Increase in Unspent conditional grants	-	(1,640,461)
	-	-

7. Prior period error - Housing accreditation grant revenue

In prior years, the conditions of the housing accreditation grant were met, but no revenue was recognised from the grant received which let to the unspent portion of the grant being misstated. These items were investigated and the revenue recognised against accumulated surplus. The effect of the restatement is as follows:

Statement of financial position		
Increase in opening Accumulated Surplus	-	(6,440,516)
Decrease in Unspent conditional grants and receipts - Municipal accreditation proje	-	6,440,516
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

8. Prior period error - Cost of living allowances and long service leave for employees

During the prior financial year, the costs relating to the cost of living allowance for pensioners and the cost of long service allowance and leave paid out to employees were incorrectly classified under Grants and subsidies paid instead of salaries and wages. These expenses are recouped from the Defined Benefit Obligation.

Statement of financial performance		
Decrease in Grants and subsidies paid - Cost of living allowance for pensioners	-	(124,691)
Increase in Grants and subsidies paid - Employees and ex-employees	-	7,584,346
Decrease in Employee related costs - Salaries and wages	-	(7,459,655)
	-	-

9. Prior period error - Cricket stadium receivable

In the prior year the cricket stadium receivable was not considered for impairment. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Non-current receivables - Cricket Stadium	-	(9,450,444)
Statement of financial performance		
Increase in Bad debts and provision for bad debts	-	9,450,444
	-	-

10. Prior period error - Water purchases

During the prior year a receivable was incorrectly raised due to a lack of supporting documentation. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Sundry Receivables	-	(7,704,687)
Decrease in Accumulated surplus	-	6,758,497
Decrease in VAT payable	-	946,190
	-	-

11. Prior period error - Municipal electricity consumption

During the verification process of municipal buildings' electricity consumption, it was noted that electricity expenses were not recognised by the entity. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade Payables	-	27,836,073
Decrease in VAT payable	-	3,559,028
Statement of financial performance		
Increase in General expenses - Electricity	-	(31,395,101)
	-	-

12. Prior period error - Correction of Free Electricity Services (FBE) with Centlec

After a reconciliation performed between Centlec (SOC) Limited and the entity, it was identified that the FBE charge between the two entities was to be reduced. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions (Other payables - Grants)	-	981,221
Statement of financial performance		
Decrease in Grants and subsidies paid - Free electricity services	-	(981,221)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

13. Prior period error - Recognition of council dogs

In the current financial year it was noted that the council dogs were not included in the financial records of the entity. The effect of this is as follows:

Statement of financial position		
Increase in PPE - Community assets - Cost	-	61,500
Increase in PPE - Community Assets - Accumulated Depreciation	-	(25,310)
Increase in Accumulated Surplus	-	(44,976)
Statement of financial performance		
Increase in Depreciation	-	8,786
	-	-

14. Prior period error - Servitudes capitalisation

Upon the finalisation of the Servitudes register it was noted that some of the costs relating to the registration of servitudes were not capitalised. Therefore, the cost associated with the registration of servitudes was capitalised and the effect on the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in Intangible Assets - Servitudes	-	273,707
Decrease in Other Receivables - Pre-paid assets	-	(273,707)
	-	-

15. Prior period error - Bridges capitalisation

In the current financial year 2013/2014. It was noted that some of the bridges were not included in the asset register. Thus, the impact of the bridges in the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in PPE - Infrastructure Assets - Bridges	-	38,756,419
Increase in PPE - Infrastructure Assets - Accumulated Depreciation Bridges	-	(3,523,311)
Increase in Accumulated Surplus	-	(35,820,326)
Statement of financial performance		
Increase in Depreciation	-	587,218
	-	-

16. Prior period error - Sports Grounds

In the current year as the entity finalised the Sports Ground register it was noted that some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in PPE Community Assets - Cost Sports grounds	-	14,277,870
Decrease in PPE - Community Assets - Work in Progress	-	(14,277,870)
Increase in PPE - Community Assets - Accumulated Depreciation	-	(336,320)
Statement of financial performance		
Increase in Depreciation	-	336,320
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

17. Prior period error - Water and Sanitation

In the current year as the entity finalised the Water and Sanitation register it was noted that some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in PPE - Infrastructure Assets - Cost (Water and Sanitation)	-	12,558,331
Decrease in PPE - Infrastructure - Work in Progress	-	(12,558,331)
Increase in Opening Accumulated depreciation	-	(14,357)
Statement of financial performance		
Increase in Depreciation	-	14,357
	-	-

18. Prior period error - Cemeteries additions

During the finalisation of the Cemetery register the entity received the information which indicated that there were parts of cemeteries which should have been disposed off in the prior years and projects that should have been capitalised. The effect of the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in Community Assets - Cost of cemeteries	-	6,426,887
Decrease in Community Assets - WIP	-	(6,426,887)
Increase in Accumulated depreciation	-	(326,775)
Decrease in Accumulated Surplus	-	88,680
Statement of financial performance		
Increase in Depreciation	-	238,095
	-	-

19. Prior period error - Cemeteries derecognition

During the finalisation of the Cemetery register the entity received the information which indicated that there were parts of cemeteries which should have been disposed off in the prior years and projects that should have been capitalised. The effect of the consolidated annual financial statements is as follows:

Statement of financial position		
Decrease in Community Assets - Cost of cemeteries	-	(20,968,485)
Decrease in Accumulated Depreciation	-	7,836,317
Decrease in Accumulated Surplus	-	14,366,194
Statement of financial performance		
Decrease in Depreciation	-	(1,234,026)
	-	-

20. Prior period error - Roads additions

During the finalisation of the roads register the entity noted that there were completed projects which should have been disposed of in the prior years and some of the completed projects which should have been capitalised but were still lying under work-in-progress. The effect on the consolidated annual financial statements is as follows:

Statement of financial position		
Increase in Infrastructure Assets - Cost of Roads	-	203,306,665
Decrease in Infrastructure Assets - Work in progress	-	(203,306,665)
Increase in Accumulated Depreciation	-	(10,025,473)
Decrease in Accumulated Surplus	-	5,981,212
Statement of financial performance		
Increase in Depreciation	-	4,044,261
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

21. Prior period error - Roads derecognition

During the finalisation of the roads register the entity noted that there were completed projects which should have been disposed of in the prior years and some of the completed projects which should have been capitalised but still lying under work-in-progress. The effect on the consolidated annual financial statements is as follows:

Statement of financial position		
Decrease in PPE - Infrastructure - Cost of Roads	-	(61,832,930)
Decrease in Accumulated Depreciation	-	26,844,859
Statement of financial performance		
Increase in Loss on disposal of assets	-	34,988,071
	-	-

22. Prior period error - Adjustment to values of municipal properties included to supplementary valuation rolls

The valuation of fifteen properties affected by supplementary valuation rolls 5 and 6 have been adjusted. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Decrease in Revaluation Reserve	-	826,828
Decrease in Accumulated Surplus	-	2,048,503
Decrease in Property, Plant and Equipment - Land	-	(2,875,331)
Decrease in Investment Property	-	(1,340,000)
Statement of financial performance		
Decrease in gain on fair value adjustments on assets	-	1,340,000
	-	-

23. Prior period error - Properties previously not accounted for now capitalised

Four properties previously excluded from the Land register were now capitalised. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Increase in PPE - Land	-	1,544,000
Increase in Accumulated surplus	-	(1,146,849)
Increase in Revaluation reserve	-	(397,151)
	-	-

24. Prior period error - Properties duplicated or incorrectly classified removed from Land Register

Nine duplicated properties were removed from the land register and four properties were classified as inventory. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Decrease in Property, Plant and Equipment	-	(2,277,785)
Decrease in Revaluation Reserve	-	585,896
Decrease in Accumulated Surplus	-	1,691,889
	-	-

25. Prior period error - Correct classification of the remaining portion of the farm Bloemfontein 654

Reclassification of the significant portions of R/Bloemfontein 654 now identified, surveyed and valuated. The effect of the restatement is summarised as follows:

Statement of financial position		
Decrease in Investment Property	-	(117,350,000)
Increase in Property, Plant and Equipment	-	341,550,000
Increase in Revaluation Reserve	-	(87,854,122)
Increase in Accumulated Surplus	-	(136,345,878)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

26. Prior period error - Zoo Lodge not previously recognised

The Zoo Lodge were valued, taking into consideration the notarial lease and disclosed separately. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Increase in Property, Plant and Equipment	-	2,526,836
Increase in Accumulated Surplus	-	(1,950,862)
Increase in Revaluation Reserve	-	(575,974)
Increase in Accumulated depreciation	-	(41,508)
Statement of financial performance		
Increase in depreciation	-	41,508
	-	-

27. Prior period error - Correction of depreciation calculated on Brandwag Flats

Adjustment of depreciation on Brandwag flats. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Decrease in Revaluation Reserve	-	539,830
Decrease in PPE - Accumulated Depreciation	-	637,638
Decrease in Property, Plant and Equipment	-	(1,177,468)
	-	-

28. Prior period error - Land from PPE to Inventory

Correction of land previously incorrectly included in PPE - Land and buildings (Parks)

Statement of financial position		
Decrease in PPE - Land	-	(121,000)
Decrease in Revaluation Reserve	-	31,124
Decrease in Accumulated Surplus	-	77,248
Increase in Inventory	-	12,628
	-	-

29. Prior period error - Correction of Sanco property classification

During the prior year the Sanco related property were incorrectly classified as inventory. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Inventory	-	(4,360)
Increase in PPE - Land	-	9,037
Increase in PPE - Buildings	-	28,963
Increase in Revaluation Reserve - Buildings	-	(23,521)
Increase in Revaluation Reserve - Land	-	(2,325)
Increase in revaluation - 2013 movement	-	(3,506)
Increase in Accumulated Surplus	-	(4,288)
Increase in Accumulated depreciation	-	(430)
Statement of financial performance		
Increase in depreciation	-	430
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

30. Prior period error - Provision for leave pay understated

During the period under review the municipal entity noted that the provision for leave was understated. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in payables from exchange transactions	-	(271,822)
Statement of financial performance		
Increase in employee related costs	-	271,822
	-	-

31. Prior period error - Formula errors identified on the Infrastructure fixed asset register

During the period under review the municipal entity noted that infrastructure assets were understated due to formulae errors contained within the detailed Fixed Asset Register. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in cost price infrastructure	-	3,661,152
Increase in accumulated depreciation of infrastructure	-	(4,476,878)
Decrease in opening accumulated surplus or deficit	-	815,726
	-	-

32. Prior period error - Repairs and maintenance captured to incorrect vote

During the period under review the municipal entity noted that items issued from inventory were incorrectly captured to the insurance receivable vote instead of repairs and maintenance. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in opening accumulated surplus or deficit	-	98,695
Decrease in receivables from exchange transactions	-	(98,695)
	-	-

33. Prior period error - Expensing of inventory items not recorded

During the period under review the municipal entity noted that items issued from inventory were not expensed in the correct period.The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in opening accumulated surplus or deficit	-	31,489
Decrease in inventory	-	(31,489)
	-	-

34. Prior period error - Miscellaneous expenditure incorrectly reversed:

During the period under review the municipal entity noted that an audit adjusting journal entry was incorrectly captured against miscellaneous expenditure. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in consumer receivables from exchange transactions	-	(187,406)
Decrease in receivables from exchange transactions	-	(187,406)
Statement of financial performance		
Increase in general expenditure	-	374,812
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

35. Prior period error - Insurance claims received not recorded in statement of financial performance

During the period under review the municipal entity noted that amounts received from insurance was held as a credit amount under consumer receivables from exchange transactions and was not recognised as income received from insurance. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in receivables from exchange transactions	-	1,362,955
Statement of financial performance		
Increase in income received from Insurance	-	(1,362,955)
	-	-

36. Prior period error - General expenses from 2011/2012

During the period under review the municipal entity noted that there were general expenditure transactions from the 2011/2012 financial year that should have been cancelled in that year, the cancellation was never done on the accounting system. Therefore these transactions should be cancelled and corrected via prior period error. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in payables from exchange transactions	-	20,575
Increase in opening accumulated surplus or deficit	-	(20,575)
	-	-

37. Prior period error - SAMBA bank charges

During the period under review the municipal entity noted a amount for bank charges owed to SAMBA was never accrued as at 30 June 2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in payables from exchange transactions	-	(34,304)
Statement of financial performance		
Increase in general expenditure	-	34,304
	-	-

38. Prior period error - Reversal of VAT input claimed

During the period under review the municipal entity noted that a VAT audit done by SARS resulted in the discovery of input VAT claimed in error during the 2011/2012 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in value added tax payable	-	(119,114)
Decrease in opening accumulated surplus or deficit	-	119,114
	-	-

39. Prior period error - Uncashed cheques

During the period under review it was noted that uncashed cheques were never reversed and cancelled. These cheques relate to payments that were made during the 2011/2012 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in cash and cash equivalents	-	83,590
Increase in opening accumulated surplus or deficit	-	(83,590)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

40. Prior period error - Vendors commission

During the period under review it was noted an amount for vendors commission was raised in error as at 30 June 2012. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in payables from exchange transactions	-	6,271
Increase in opening accumulated surplus or deficit	-	(6,271)
	-	-

41. Prior period error - Bulk Purchases from 2011/2012

During the period under review the municipal entity noted that a payable on bulk purchases statement for 2011/2012 was raised for the municipal entity. This amount was not to be paid by the municipal entity as there are no more amounts liable for bulk purchases by the municipal entity from 2011/2012. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in payables from exchange transactions	-	16,729
Increase in opening accumulated surplus or deficit	-	(16,729)
	-	-

42. Prior period error - Bulk purchases from 2012/2013

During the period under review the municipal entit noted an amount for electricity bulk purchases were not accrued correctly at year end. This was due to under payment on a payment made during 2012/2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in payables from exchange transactions	-	(140,878)
Statement of financial performance		
Increase in electricity bulk purchases	-	140,878
	-	-

43. Prior period error - Income tax payable

During the period under review the municial entity noted that the Income Tax Payable raised in 2011 for the 2005 Tax period was written off and the Income tax payable to SARS on 30 June 2014 is R Zero. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in income tax payable	-	6,152,047
Increase in opening accumulated surplus or deficit	-	(6,152,047)
	-	-

44. Prior period error - Internally Generated Rights

During the period under review the municipal entity noted that an internally generated rights (Servitudes) was incorrectly capitalised and it should have been expensed during the 2011/12 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in cost price intangible assets	-	(122,125,694)
Statement of financial performance		
Increase in servitudes expenditure	-	122,125,694
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

45. Prior period error - Research Expenses - RPS Engineering

During the period under review the municipal entity noted that an amount receivable was raised from Mangaung Metro Municipality for research cost incurred by the municipal entity on a contract with RPS Engineering. This should have been expensed by the municipal entity. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in receivables from exchange transactions	-	(22,513,750)
Statement of financial performance		
Increase in servitudes expenditure	-	22,513,750
	-	-

46. Prior period error - Public connection income

During the period under review the municipal entity noted that an amount received during the year of 2012/2013 was never recognised as revenue after the connections was made due to the fact that the completion dates of the connections was not available at that time. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in payables from exchange transactions	-	3,853,261
Statement of financial performance		
Increase in public connection income	-	(3,853,261)
	-	-

47. Prior period error - Finance lease obligation

During the period under review the municipal entity noted that the finance lease obligation was understated in 2012/2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in finance lease obligation	-	12,471
Statement of financial performance		
Decrease in general expenses	-	(12,471)
	-	-

48. Prior period error - Current & non-current finance lease obligation

During the period under review the municipal entity noted that the finance lease obligation was understated in 2012/2013. The current and non current liability had to be restated due to the understatement of the total finance lease obligation. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in Finance lease obligation - current liability	-	(10,750)
Decrease in finance lease liability - non-current liability	-	10,750
	-	-

49. Prior period error - Street lighting income reclassification

During the period under review the municipal entity noted that the street lighting income for street light maintenance services provided during 2012/13 financial year was incorrectly allocated to the street lighting expense. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Increase in other income	-	(16,935,843)
Increase in general expenses	-	16,935,843
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

50. Prior period error - Impairment reclassification

During the period under review the municipal entity noted that the impairment on vehicles for the 2012/13 financial year was incorrectly allocated to depreciation. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Decrease in depreciation	-	(330,921)
Increase in impairment	-	330,921
	-	-

51. Prior period error - Leased asset not capitalised

During the period under review the municipal entity noted that leased assets were incorrectly capitalised in the wrong financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in cost price leased assets	-	21,784
Increase in finance lease liability	-	(21,784)
Decrease in cost price leased assets	-	(8,910)
Decrease in accumulated depreciation leased assets	-	5,907
Increase in accumulated depreciation leased assets	-	(12,230)
Decrease in opening retained earnings	-	1,470
Statement of financial performance		
Increase in depreciation leased assets	-	10,760
Increase in loss on sale of asset	-	3,003
	-	-

52. Prior period error - Salary liability

During the period under review it was noted that during the 2012/13 financial year general expenses were miss allocated as part of the salary control account and these expenses should have been expensed as general expenses and not carried as part of the salary liability. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in trade payables from exchange transactions	-	154,893
Statement of financial performance		
Increase in general expenses	-	(154,893)
	-	-

53. Prior period error - Consumer receivables from exchange transactions reclassification

During the period under review it was noted that unallocated deposits was incorrectly classified as part of consumer debtors during the 2012/13 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in consumer receivables from exchange transactions	-	12,046,372
Increase in payables from exchange transactions	-	(12,046,372)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

54. Prior period error - Consumer receivables from exchange transactions reclassification

During the period under review it was noted that various items of office furniture and computer equipment were omitted from the fixed asset register.The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in cost price office equipment	-	3,608,269
Increase in accumulated depreciation office equipment	-	(1,775,921)
Increase in opening accumulated surplus	-	(2,525,507)
Statement of financial performance		
Increase in depreciation office equipment	-	693,159
	-	-

55. Prior period error - Bursaries reclassification

During the period under review the municipal entity noted bursaries expenses were classified under employee related costs and it should have been classified under general expenses. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Decrease in Employee related costs	-	(48,180)
Increase in general expenses	-	48,180
	-	-

56. Prior period error - Grant receivable

During the period under review the municipal entity noted that grants receivable from MMM relating to the 2011/12 financial year will not be reimbursed due to correct roll-over procedures not being followed. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in receivables from exchange transactions	-	(24,747,244)
Decrease in opening accumulated surplus	-	24,747,244
	-	-

57. Prior period error - Payables

During the 2011/12 financial year a payable was incorrectly raised related to employee disputes. The effect of the restatement is as follows:

Statement of financial performance		
Decrease in Payables from exchange transaction - Trade payables	-	6,798,058
Increase in Accumulated Surplus	-	(6,798,058)
	-	-

58. Prior period error - VAT on 2012 Free Electricity Services

Correction of VAT on Free Electricity Services for 2012.

Statement of financial position		
Decrease in VAT payable	-	471,530
Increase in Payables from exchange transactions - (Other payables)	-	(471,530)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

59. Prior period error - Payments in advance

Correction of journal posted in error when reconciling payments received in advance.

Statement of financial position		
Increase in Payables from non-exchange transactions	-	(4,152,017)
Decrease in Opening Accumulated Surplus	-	4,152,017
	-	-

60. Prior period error - Other Assets Additions (Tools, plant and equipment)

Statement of financial position		
Increase in Property, plant & equipment - Cost of Tools, plant and equipment	-	10,383,826
Increase in Accumulated Depreciation	-	(1,221,950)
Increase in Accumulated Surplus	-	(9,895,047)
Statement of financial performance		
Increase in Depreciation	-	733,171
	-	-

61. Prior period error - Other Assets Disposals (Tools, plant and equipment)

In the current financial period it was the entity identified assets that should have been disposed off from tools, plant and equipment.

Statement of financial position		
Decrease in PPE - Cost of Other Assets	-	(10,230,521)
Decrease in PPE - Accumulated depreciation of Other Assets	-	1,615,544
Decrease in Accumulated surplus	-	9,584,303
Statement of financial performance		
Decrease in Depreciation	-	(969,326)
	-	-

62. Prior period error - Other Assets Additions (Furniture & office equipment)

During the physical verification exercise of movable assets the entity identified assets that should have been included in the asset register.

Statement of financial position		
Increase in PPE - Cost of Other Assets	-	5,655,025
Increase in PPE - Accumulated depreciation of Other Assets	-	(338,488)
Increase in Accumulated Surplus	-	(5,519,630)
Statement of financial performance		
Increase in depreciation	-	203,093
	-	-

63. Prior period error - Other Assets Disposals (Furniture & office equipment)

In the current financial period it was the entity identified assets that should have been disposed off from tools and and equipment.

Statement of financial position		
Decrease in PPE - Cost of Other Assets	-	(26,678,804)
Decrease in PPE - Accumulated depreciation of Other Assets	-	4,705,246
Decrease in Accumulated Surplus	-	24,796,706
Statement of financial performance		
Decrease in Depreciation	-	(2,823,148)
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

64. Prior period error - Depreciation correction

During a recalculation performed on the asset register the depreciation for water meters were understated. The effect of the correction is as follows:

Statement of financial position		
Decrease in PPE - Accumulated depreciation on Other Assets	-	2,550,222
Statement of financial performance		
Decrease in Depreciation	-	(2,550,222)
	-	-

65. Prior period error - Duplication of Investment Property

Duplication of the Clinic in Oranjesig at a value of R 69 000.00 was corrected on the Investment Property register.

Statement of financial position		
Decrease in Accumulated Surplus	-	69,000
Decrease in Investment Property	-	(69,000)
	-	-

66. Prior period error - Adjustment of property valuations based on Valuation roll 4

During the prior year, the value of municipal property was not updated with the changes as contained in Supplementary roll 4. Value of land reduced and buildings increased as a result of the revaluation of small holdings and residential rental stock. The effect on the restatement is as follows:

Statement of financial position		
Increase in Revaluation reserve	-	(20,783,107)
Increase in Accumulated surplus	-	(6,462,713)
Decrease in Investment property	-	(23,565,000)
Increase in PPE - Buildings	-	52,511,239
Decrease in PPE - Land	-	(25,265,419)
Statement of financial performance		
Increase in Gain/(loss) on fair value adjustments on assets	-	23,565,000
	-	-

67. Prior period error - Valuation of Westdene sports club

The Wesdene sports club and Hilton bowling club were valued in the current financial year and disclosed as prior year additions.

Statement of financial position		
Increase in Revaluation reserve	-	(2,103,660)
Increase in Accumulated Surplus	-	(1,070,340)
Increase in PPE - Buildings	-	1,904,400
Increase in PPE - Land	-	1,269,600
	-	-

68. Prior period error - Capitalisation of buildings purchased in 2012/13

Land acquired during the 2012/2013 financial year were capitalised during the 2013/2014 financial year as land only. The value of Buildings on these properties were capitalised at an average of 60% of the purchase price.

Statement of financial position		
Decrease in Other Receivables - Sundry Receivables	-	(10,354,403)
Increase in PPE - Land Cost	-	10,354,403
Increase in PPE - Buidlings - Accumulated depreciation	-	(43,583)
Increase in PPE - Buildings Cost	-	239,709
Decrease in PPE - Land Cost	-	(239,709)
Statement of financial performance		
Increase in depreciation	-	43,583
	-	-

Figures in Rand	2014	2013

55. Prior period errors (continued)

69. Prior period error - Classification of Hoffman Square land

Hoffman square was valued during the current year and is disclosed as an addition to Heritage assets in the prior.

Statement of financial position		
Increase in Heritage Assets	-	43,697,190
Increase in Revaluation Reserve	-	(11,239,894)
Increase in Accumulated surplus	-	(32,457,296)
	-	-

70. Prior period error - Correction of Heritage Assets

In the current year the the classification of the Navill Hill reserve was corrected from heritage assets to community assets.

Statement of financial position		
Decrease in Heritage Assets - Cost	-	(4,821,625)
Increase in PPE - Community Assets - Cost	-	4,821,625
Increase in PPE - Community Assets Accumulated depreciation	-	(1,707,636)
Decrease in Accumulated surplus	-	1,423,030
Statement of financial performance		
Increase in Depreciation	-	284,606
	-	-

56. Comparative figures

The following items were reclassified within General Expenditure to more closely reflect their purpose. Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Performance

Increase in General Expenses - Lease rentals on operating lease	-	1,782,150
Decrease in General Expenses - Subscriptions and membership fees	-	(1,782,150)

57. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including interest rate risk and price risk).

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Consolidated Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Figures in Rand	2014	2013

57. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

The comparative figures have been restated due to prior period errors recorded on these items.

At 30 June, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8,586,358	183,277,108	-	-
Finance lease obligation	87,470,104	56,045,464	-	-
Trade payables from exchange transactions	744,903,811	-	-	-
Trade payables from non-exchange transactions	148,162,111	-	-	-

At 30 June, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	9,548,467	169,537,182	-	-
Finance lease obligation	2,751,003	4,797,020	-	-
Trade payables from exchange transactions	670,808,014	-	-	-
Trade payables from non-exchange transactions	165,305,816	-	-	-

Figures in Rand	2014	2013

57. Risk management (continued)

Credit risk

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

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.
All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

Cash and cash equivalents	452,093,075	602,980,304
Consumer receivables from exchange transactions	556,856,959	544,551,256
Other receivables from exchange transactions	81,601,007	84,835,461
Financial instruments designated at fair value	22,815	16,782

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 52 for additional details.

These balances represent the maximum exposure to credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of interest rate risks and foreign currency risks:

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call, notice and fixed deposits
- Development Bank of South Africa loans

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to make as far as possible use of fixed rate instruments. During 2014 and 2013, the entity's borrowings at variable rate were denominated in the Rand.

Fair values:
The fair value of financial assets with standard terms and conditions and traded in an active market is determined with reference to quoted market bid prices and ask prices respectively.

	Cost Price		Fair Value	
Figures in Rand	2014	2013	2014	2013
Financial Instrument				
Financial instruments at fair value - OVK Limited	2,535	2,535	22,815	16,782

Figures in Rand	2014	2013

57. Risk management (continued)

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk, it also does not hedge foreign exchange fluctuations.

58. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,978,680,342 and that the entity's total assets exceed its liabilities by R 12,025,143,158.

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

59. Events after the reporting date

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book of the entity. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R 104,522,916.77

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off.

The municipal entity experienced a change of leadership at its senior management level after the financial year end. Mr. MP Seboka, the chief executive officer tendered his resignation letter on the 2nd July 2014.

The services of Mrs. DM Letseli, head of corporate services for the municipal entity, were suspended during the financial year and subsequently withdrawn after year end. This resulted in an irregular expenditure to the value of R 715,654.00 as disclosed in the note on Irregular expenditure.

On the 10th of July 2014 Prof. L de Jager tendered her resignation as a member of the board of directors for the municipal entity.

Figures in Rand		2014	2013

60. Unauthorised expenditure

Opening balance		394,504,039	374,968,378
Unauthorised expenditure - current year		498,003,019	19,535,661
		892,507,058	**394,504,039**

Details of unauthorised expenditure:

Incidents regarding 2010/2011	**Disciplinary steps taken / criminal proceedings**		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water - Operating	None	-	23,353,983
Overspending by Water - Capital	None	-	14,165,233
		-	**67,711,892**

Incidents regarding 2011/2012	**Disciplinary steps taken / criminal proceedings**		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh produce market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	**307,256,486**

Incidents regarding 2012/2013	**Disciplinary steps taken / criminal proceedings**		
Overspending by Infrastructure services	None	-	19,535,661

Incidents regarding 2013/2014	**Disciplinary steps taken / criminal proc eedings**		
Overspending by Infrastructure	None	129,922,837	-
Overspending by Miscellaneous Services	None	368,080,182	-
		498,003,019	**-**

Refer to Appendix E(1) and E(2) for more details.

The above relates to accounting adjustments such as provision of bad debts and depreciation.

The total over expenditure on Infrastructure amounted to R 129,922,837 of which Depreciation amounted to R 163,033,702 (Budgeted amount of R 129,448,137 vs Actual amount of R 292,481,839).

The total over expenditure on Miscellaneous Services amounted to R 368,080,182 of which the Provision of Bad debts amounted to R 433,847,531 (Budgeted amount of R 41,564,190 vs Actual amount of R 475,411,721).

Figures in Rand	2014	2013

61. Fruitless and wasteful expenditure

Opening balance	97,244,905	79,438,869
Expenditure identified in the current year relating to the current year	225,791	5,494,636
Expenditure identified in the current year relating to the prior year	-	3,885,860
Reported incorrectly in previous year	-	8,425,540
Amounts written off or condoned by Council	(69,145,760)	-
	28,324,936	**97,244,905**

Details of expenditure - 2013/14

Mangaung Metropolitan Municipality	
Interest paid to Eskom due to late payment	138,247
Interest paid to FDC due to late payment	783
Interest paid to Broll due to late payment	976
Interest paid to Bloemwater due to late payment	240
Interest paid to Lawyers due to late payment	769
Interest paid to Pec Marketing due to late payment	417
Interest paid to Dlamini and Associates due to late payment	525
Interest paid to Standard Bank of South Africa due to late payment	3,818
Interest paid to Wright Rose Innes INC due to late payment	2,360
Interest paid to Dierehospitaal due to late payment	208
Centlec (SOC) Ltd	
* Interest on late payment and submission of EMP 201	4,305
* Late annual renewal of vehicle licence discs	2,136
* Interest incurred on late payment of ESKOM Electricity accounts	22,640
* Interest on late payment and or submission of VAT 201 return	48,367
	225,791

Details of expenditure - 2012/13

Mangaung Metropolitan Municipality	
Interest paid to Ruwacon (Pty) Ltd due to late payment	42,879
Interest paid to Eskom due to late payment	41,415
Interest paid to FDC due to late payment	804
Interest paid to Rossouws Attorneys due to late payment	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	57
No Show penalty for 7 Councillors at 29/01/2013 accommodation Protea Hotel	12,247
Interest paid to UMFA/FS Business Trust due to late payment	165
Interest and penalties paid to SARS due to late submission of a VAT return	147,204
Interest paid to Bloemwater due to late payment	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	60,820
Interest paid to Telkom SA limited due to late payment	100,031
Interest paid to Lawyers due to late payment	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a cc	375,765
Centlec (SOC) Ltd	
* Interest incurred on late payment of Eskom Electricity accounts.	793,470
* Interest incurred on late submission and or payment of Vat 201 returns.	3,304,706
* Interest on late payment and submission of EMP 201.	546,326
* Legal fee paid in Telkom SA Limited VS Centlec (Pty) Ltd case.	52,000
	5,494,636

Details of expenditure - 2011/12

Mangaung Metropolitan Muncipality	
Penalties and interest paid on the late submission of a VAT return.	113,832
Penalties and interest paid on the late submission VAT return of prior years	13,816,522
Interest paid on overdue accounts	31,163
Interest paid on overdue accounts - Telkom	38,520
Councillor T.J Makae annual salary was paid to him but he was however no longer a	378,254
Centlec (SOC) Ltd	
* Interest incurred to to late payment of Eskom Electricity accounts.	11,713,229
* Interest incurred to to late submission and or payment of Vat 201 returns.	988,235
* Interest on late payment and submission of EMP 201.	397,477
	27,477,232

Figures in Rand	2014	2013

61. Fruitless and wasteful expenditure (continued)

Details of expenditure - 2010/11

Controlling entity	
Penalties and interest paid on the late submission of a VAT return.	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	171,147
Centlec (SOC) Ltd	
* VAT incorrectly claimed on non VAT vendors	33,143
* Interest charged on late payment of Auditor General's invoices.	29,996
* Use of suite at the Rugby stadium.	99,393
* Internal audit fees charged by the parent municipality with no service rendered	1,000,000
* Interest incurred due to late payment of Eskom Electricity accounts.	27,624,929
* Interest incurred to to late submission and or payment of Vat 201 returns.	1,371,666
	38,059,408

Details of expenditure - 2009/10

Controlling entity	
Penalties and interest paid on the late submission of VAT return.	5,099,888
Centlec (SOC) Ltd	
* Final settlement to the previous CEO	12,688,200
	17,788,088

* These expenditure has been written off by Council during the 2013/14 financial year.

Figures in Rand	2014	2013

62. Irregular expenditure

Opening balance	540,288,069	403,627,255
Add: Irregular Expenditure - current year	46,980,591	85,403,968
Add: Irregular Expenditure - prior year identified in the current year	498,737	61,827,328
Less: Amounts reported incorrectly in previous years	-	(10,570,482)
Less: Irregular expenditure (Entity) - write off in respect of 2010/11	(34,783,082)	-
Less: Irregular expenditure (Entity) - write off in respect of 2011/12	(217,824)	-
Less: Irregular expenditure (Municipal entity) - write off in respect of prior years	(304,946,937)	-
	247,819,554	**540,288,069**

Analysis of expenditure awaiting condonation/write off per age classification

Current year	17,548,724	10,239,733
Prior years	230,270,830	530,048,336
	247,819,554	**540,288,069**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified were the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	9,004,641
* Competitive bidding processes were not followed - Centlec (SOC) Limited	The expenditure was incurred in the current year. No disciplinary steps taken as the expenditure were incurred as a result of the separation of the financial system of the entity from the parent municipality . The expenditure has been submitted to council for consideration of being condoned	35,838,538
* Chief executive officer appointment - Centlec (SOC) Limited	The appointment of the former executive manager - Corporate services was considered irregular and the appointment was withdrawn with effect from 30 June 2014.	715,654
* Other - Centlec (SOC) Limited	Payment to directors without final council approval. The expenditure has been submitted to council for consideration of being condoned.	1,271,758
* Sponsorship	Sponsorships were provided without complying with the supply chain management processes. The expenditure was not considered for write off by Council as it was identified after year end.	150,000
		46,980,591

Reported incorrectly in the previous year

Fruitless and wasteful expenditure reported as irregular	Corrective action taken to ensure correct classification	8,425,540
Supporting documents were not submitted for audit purposes	Subsequent review indicate documents are available	2,144,942
		10,570,482

* These expenditure has been written off by Council in the current year.

63. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating income and expenditure versus budgeted operating income and expenditure.

64. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted capital expenditure.

Figures in Rand	2014	2013

65. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Deviations 2014	**Rands**	**Number of deviations**
Emergency	668,227	10
Sole supplier	13,509,292	47
Impractical	31,215,579	91
Urgent	28,470,381	117
Other	23,572,962	680
	97,436,441	**945**

Deviations 2013	**Rands**	**Number of deviations**
Emergency	1,290,048	16
Sole supplier	23,216,131	310
Urgent	44,665,443	86
Other	15,486,911	621
	84,658,533	**1,033**

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66. Additional disclosures in terms of the Municipal Finance Management Act

Contributions to organised local government		
Current year subscription fee	10,400,000	9,800,000
Amount paid - Current year	(10,400,000)	(9,800,000)
	-	**-**

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees		
Opening balance	739,842	592,226
Current year regularity audit fees	22,605,301	18,575,883
Amount paid - previous years	(739,842)	(593,544)
Amount paid - current year	(21,407,128)	(17,834,723)
	1,198,173	**739,842**

The following comparative items have been restated due to the availability of additional information:

Opening balance decreased by R 77,968
Regularity audit fees increased by R 383,771
Amounts paid previous year decreased by R 78,008
Amounts paid current year increased by R 124,318

Figures in Rand	2014	2013

66. Additional disclosures in terms of the Municipal Finance Management Act (continued)

PAYE, UIF and SDL		
Opening balance	11,274,172	12,907,646
Payable for the current year	170,352,838	149,260,913
Interest and penalties - current year	216,202	295,789
Interest and penalties reversed by SARS	(213,273)	-
Amount paid - current year	(168,752,850)	(147,056,974)
Amount paid/refunded - previous years	10,800	(4,133,202)
	12,887,889	**11,274,172**

The following comparative items have been restated due to the availability of additional information:

Opening balance increased by R 8,032,996
Amount paid - current year increased by R882,227

Pension and medical aid deductions		
Opening balance	16,017	-
Current year payroll deductions	245,769,959	234,910,230
Amount paid - current year	(245,773,584)	(234,894,213)
Amount paid - previous years	(15,727)	-
	(3,335)	**16,017**

Bulk water losses:

Material bulk water losses during the year under review were as follows and are not recoverable.

The main reason for incurring water losses relates to burst water pipes, leaks and unmetered water sites.

	Kilo liter	Cost per kilo liter	Total loss in Rands
Unaccounted water - 2014	24,735,277	4.74	117,245,213
Unaccounted water - 2013	29,686,927	3.94	116,966,482

Electricity distribution losses

In the current year the energy losses were 13.8% (2013: 6.0%). These losses are as the result of theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

Electricity losses - 2014	237,761,593 kWh	R 152,417,857	13.80%
Electricity losses - 2013	204,919,232 kWh	R 193,265,509	11.73%

The electricity distribution loss comprises of technical and non-technical losses. For the 2013/14 financial year the distribution losses amount to 13.80%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:
Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc.

Technical losses:
Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution.

67. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified:

Figures in Rand	2014	2013

67. Non-compliance with the MFMA (continued)

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)
Goods and services with a transaction value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.
Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.
Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Figures in Rand	2014	2013

68. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

A1 - Favourable variance due to the higher property values following the implementation of the new valuation roll as of 1 July 2013. A total of 7686 objections were received from the new valuation roll which might results in some of the market values as contained in the general valuation roll being adjusted in terms of the objections and appeals processes;

A2 - Favourable variance due to the following:
Water revenue - Favourable due to seasonal fluctuations in water usage
Sanitation revenue - Favourable variance mainly as a result of the implementation of the new valuation roll and appeal process
Refuse revenue - Favourable variance of due to increased collection of trade waste removal;

A3 - Unfavourable variance due to the slow implementation of projects which has been funded through conditional government grants.

A4 - Variance due to unfavourable movement in the Defined benefit obligation.

A5 - Favourable variance due to unfilled vacancies.

A6 - Variance due to debt written off during the year and movement in the impairment provisions.

A7 - Variance due to increased asset base.

A8 - Favourable variance due to less expenditure on projects.

A9 - Additional interest income due to the investments of the municipal entity

Statement of financial position:

A10 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

Cash flow statement:

A11 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

Reconciliation between Total Revenue and Total Expenditure

The total revenue and total expenditure differs between the Statement of financial performance and the statement of comparison between budget and actual amounts due to the following classification differences between the two statements:

R1 - Fair value adjustments and gains on disposal of non-current assets are classified under total revenue for budget purposes, while the consolidated annual financial statements classifies it as an adjustment to expenditure.

Figures in Rand	2014	2013

68. Budget differences (continued)

Changes from the approved budget to the final budget

Statement of financial performance

B1 - Property rates increased due to higher property values following implementation of the new valuation roll as of 1 July 2013 and the outstanding finalization of the objection process thereof.

B2 - Service charges increased due to the following:
Sale of water increases by R 32,614 million in line with the progress made with metering the previously unmetered sites.
Sanitary fees increases by R 2,497 million in line with the increase in the property rates income.
Refuse removal increases by R 16,448 million due to higher trade waste removal income.
Investment revenue increases by R 3 million due to higher projected interest income for the year.

B3 - Grants received were adjusted in order to allow for additional grants, subsidies and donations received or to be received to be included in the budget.

B4 - Repairs and maintenance were increased due to more repairs and maintenance planned.

B5 - Grants and subsidies paid increased due to the Electricity Demand Side Grant payable to Centlec SOC Limited

B6 - Contracted services increased due to the consumer revenue enhancement strategy expenditure.

- Increase in general expenditure mainly due to the following expenses:
2014 CHAN Tournament
Top 50 Consumers Revenue enhancement expenses
Insurance

Statement of financial position

B8 - Changes to the statement of financial performance budget were made due to the audited consolidated annual financial statements as at 30 June 2014 becoming available after the finalisation of the audit. The changes therefore were done in order to align the budget statement of financial position taking into account the closing balances as per the consolidated annual financial statements as well as the changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement

B9 - Changes to the cash flow statement were made due to the anticipated cash position of the entity.

Appendix A - (Unaudited)

Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable Date	Balance at 30 June, 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June, 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA @ 12.62%	103433/01	31 March 2026	47,098,464	-	2,194,711	44,903,753	-	-
DBSA @ 6.75%	103433/02	31 March 2026	125,653,576	22,257,487	4,935,335	142,975,728	-	-
DBSA @ 10%	8001/104	31 December 2015	6,333,610	-	2,349,623	3,983,987	-	-
			-	-	-	-	-	-
			179,085,650	**22,257,487**	**9,479,669**	**191,863,468**	**-**	**-**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land	1,026,170,539	8,850,203	-	-	-	-	-	-	**1,035,020,742**	-	-	-	-	1,035,020,742
Buildings	1,103,950,060	67,793,111	-	-	-	-	-	-	**1,171,743,171**	(15,178,151)	-	(33,772,527)	**(48,950,678)**	1,122,792,493
Work in Progress	136,119,675	-	-	**25,826,965**	(63,012,542)	-	-	-	**98,934,098**	-	-	-	-	98,934,098
	2,266,240,274	**76,643,314**	**-**	**25,826,965**	**(63,012,542)**	**-**	**-**	**-**	**2,305,698,011**	**(15,178,151)**	**-**	**(33,772,527)**	**(48,950,678)**	**2,256,747,333**
Infrastructure														
Bridges	91,249,201	-	-	-	-	-	-	-	**91,249,201**	(8,256,400)	-	(1,405,306)	**(9,661,706)**	81,587,495
Intersections	45,584,823	-	-	-	-	-	-	-	**45,584,823**	(30,386,416)	-	(5,066,136)	**(35,452,552)**	10,132,271
Road furniture	28,135,128	-	-	-	-	-	-	-	**28,135,128**	(14,817,041)	-	(1,022,546)	**(15,839,587)**	12,295,541
Street lights	10,474,432	-	-	-	-	-	-	-	**10,474,432**	(2,732,148)	-	(455,428)	**(3,187,576)**	7,286,856
Sanitation	266,043,129	-	-	-	-	-	-	-	**266,043,129**	(70,060,611)	-	(11,535,259)	**(81,595,870)**	184,447,259
Side walks	173,172,011	-	-	-	-	-	-	-	**173,172,011**	(61,112,561)	-	(10,187,223)	**(71,299,784)**	101,872,227
Water	460,692,746	-	-	-	-	-	-	-	**460,692,746**	(137,154,597)	-	(25,280,988)	**(162,435,585)**	298,257,161
Rail road sidings	23,337,859	-	-	-	-	-	-	-	**23,337,859**	(5,635,134)	-	(939,339)	**(6,574,473)**	16,763,386
Roads	2,320,765,583	96,975,704	(11,031,778)	-	-	-	-	-	**2,406,709,509**	(730,716,680)	2,661,238	(121,740,066)	**(849,795,508)**	1,556,914,001
Stormwater	3,004,338	-	-	-	-	-	-	-	**3,004,338**	(746,253)	-	(114,668)	**(860,921)**	2,143,417
Water metres	65,120,124	20,922,426	(31,027,339)	-	-	-	-	-	**55,015,211**	(15,822,916)	11,781,760	(3,836,049)	**(7,877,205)**	47,138,006
Water and Sanitation	1,785,764,027	-	-	-	-	-	-	-	**1,785,764,027**	(219,715,529)	-	(36,516,820)	**(256,232,349)**	1,529,531,678
Electricity	2,573,293,603	91,764,567	-	-	-	-	-	-	**2,665,058,170**	(832,632,026)	-	(75,156,790)	**(907,788,816)**	1,757,269,354
Work in Progress	660,668,343	751,082,931	-	-	(96,975,704)	-	-	-	**1,314,775,570**	-	-	-	-	1,314,775,570
	8,507,305,347	**960,745,628**	**(42,059,117)**	**-**	**(96,975,704)**	**-**	**-**	**-**	**9,329,016,154**	**2,129,788,312)**	**14,442,998**	**(293,256,618)**	**2,408,601,932)**	**6,920,414,222**
Community Assets														
Parks	51,556,216	15,072,581	-	-	-	-	-	-	**66,628,797**	(11,918,710)	-	(3,194,989)	**(15,113,699)**	51,515,098
Fresh produce market	54,402,649	-	-	-	-	-	-	-	**54,402,649**	(24,516,724)	-	(3,414,421)	**(27,931,145)**	26,471,504
Landfill sites	28,776,844	4,115,866	-	-	-	-	-	-	**32,892,710**	(7,751,492)	-	(1,193,954)	**(8,945,446)**	23,947,264
Landfill sites	143,963,590	-	-	-	-	-	-	-	**143,963,590**	(74,495,046)	-	(4,686,772)	**(79,181,818)**	64,781,772
Quarry sites	258,085,200	-	-	-	-	-	-	-	**258,085,200**	(222,610,830)	-	(5,912,395)	**(228,523,225)**	29,561,975
Sport Grounds	69,856,581	17,100,801	-	-	-	-	-	-	**86,957,382**	(13,671,570)	-	(2,635,670)	**(16,307,240)**	70,650,142
Swimming pools	27,751,343	19,080,620	-	-	-	-	-	-	**46,831,963**	(9,629,769)	-	(1,760,936)	**(11,390,705)**	35,441,258
Stadiums	126,328,376	-	-	-	-	-	-	-	**126,328,376**	(38,397,479)	-	(6,439,349)	**(44,836,828)**	81,491,548
CCTV	54,751,766	-	-	-	-	-	-	-	**54,751,766**	(17,600,869)	-	(5,307,271)	**(22,908,140)**	31,843,626
Zoo	47,240,586	-	-	-	-	-	-	-	**47,240,586**	(11,164,521)	-	(2,061,237)	**(13,225,758)**	34,014,828
Zoo animals	3,629,154	3,100,473	(196,518)	-	-	-	-	-	**6,533,109**	(311,585)	15,569	(183,656)	**(479,672)**	6,053,437
Cemeteries	31,196,171	2,460,889	-	-	-	-	-	-	**33,657,060**	(8,583,834)	-	(1,922,571)	**(10,506,405)**	23,150,655
Hawker stalls	722,134	-	-	-	-	-	-	-	**722,134**	(96,268)	-	(32,940)	**(129,208)**	592,926
Environmental facilities	1,926,911	-	-	-	-	-	-	-	**1,926,911**	(602,077)	-	(120,439)	**(722,516)**	1,204,395
Council Dogs	61,500	-	-	-	-	-	-	-	**61,500**	(25,310)	-	(8,786)	**(34,096)**	27,404
Work in Progress	28,420,299	74,297,668	-	-	(42,758,175)	-	-	-	**59,959,792**	-	-	-	-	59,959,792
	928,669,320	**135,228,898**	**(196,518)**	**-**	**(42,758,175)**	**-**	**-**	**-**	**1,020,943,525**	**(441,376,084)**	**15,569**	**(38,875,386)**	**(480,235,901)**	**540,707,624**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	314,777,190	-	-	-	-	-	-	**2,302,810**	**317,080,000**	-	-	-	-	317,080,000
Nature reserve	3,892,105	-	-	-	-	-	-	-	**3,892,105**	-	-	-	-	3,892,105
Work in Progress	10,601,508	-	-	-	-	(9,917,272)	-	-	**684,236**	-	-	-	-	684,236
	329,270,803	**-**	**-**	**-**	**-**	**(9,917,272)**	**-**	**2,302,810**	**321,656,341**	**-**	**-**	**-**	**-**	**321,656,341**
Other assets														
Firearms	794,791	-	-	-	-	-	-	-	**794,791**	(183,138)	-	(33,725)	**(216,863)**	577,928
Motor vehicles	229,594,546	37,786,178	(10,496,257)	-	-	-	-	-	**256,884,467**	(85,659,962)	3,527,327	(11,518,480)	**(93,651,115)**	163,233,352
Tools, plant and equipment	12,108,423	-	-	-	-	-	-	-	**12,108,423**	(2,133,644)	-	(1,713,263)	**(3,846,907)**	8,261,516
Furniture and office equipment	34,725,876	30,029,130	(514)	-	-	-	-	-	**64,754,492**	(10,092,640)	154	(5,497,236)	**(15,589,722)**	49,164,770
Capitalised leased assets	20,598,180	144,864,950	-	-	-	-	-	-	**165,463,130**	(13,002,382)	-	(1,571,492)	**(14,573,874)**	150,889,256
	297,821,816	**212,680,258**	**(10,496,771)**	**-**	**-**	**-**	**-**	**-**	**500,005,303**	**(111,071,766)**	**3,527,481**	**(20,334,196)**	**(127,878,481)**	**372,126,822**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	2,266,240,274	76,643,314	-	**25,826,965**	(63,012,542)	-	-	**-**	**2,305,698,011**	(15,178,151)	-	(33,772,527)	**(48,950,678)**	2,256,747,333
Infrastructure	8,507,305,347	960,745,628	(42,059,117)	**-**	(96,975,704)	-	-	**-**	**9,329,016,154**	(2,129,788,312)	14,442,998	(293,256,618)	**(2,408,601,932)**	6,920,414,222
Community Assets	928,669,320	135,228,898	(196,518)	**-**	(42,758,175)	-	-	**-**	**1,020,943,525**	(441,376,084)	15,569	(38,875,386)	**(480,235,901)**	540,707,624
Heritage assets	329,270,803	-	-	**-**	-	(9,917,272)	-	**2,302,810**	**321,656,341**	-	-	-	**-**	321,656,341
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	297,821,816	212,680,258	(10,496,771)	**-**	-	-	-	**-**	**500,005,303**	(111,071,766)	3,527,481	(20,334,196)	**(127,878,481)**	372,126,822
	12,329,307,560	**1,385,298,098**	**(52,752,406)**	**25,826,965**	**(202,746,421)**	**(9,917,272)**	**-**	**2,302,810**	**13,477,319,334**	**2,697,414,313)**	**17,986,048**	**(386,238,727)**	**3,065,666,992)**	**10,411,652,342**
Intangible assets														
Computers - software & programming	38,642,573	4,654,091	-	**-**	-	-	-	**-**	**43,296,664**	(9,829,430)	-	(7,932,937)	**(17,762,367)**	25,534,297
Servitudes	83,653,943	1,091,989	-	**-**	-	-	-	**-**	**84,745,932**	-	-	-	**-**	84,745,932
	122,296,516	**5,746,080**	**-**	**-**	**-**	**-**	**-**	**-**	**128,042,596**	**(9,829,430)**	**-**	**(7,932,937)**	**(17,762,367)**	**110,280,229**
Investment properties														
Investment property	2,222,377,240	2,470,000	(1,414,000)	**-**	-	-	-	**41,322,260**	**2,264,755,500**	-	-	-	**-**	2,264,755,500
Work in Progress	-	2,613,363	-	**-**	-	-	-	**-**	**2,613,363**	-	-	-	**-**	2,613,363
	2,222,377,240	**5,083,363**	**(1,414,000)**	**-**	**-**	**-**	**-**	**41,322,260**	**2,267,368,863**	**-**	**-**	**-**	**-**	**2,267,368,863**
Total														
Land and buildings	2,266,240,274	76,643,314	-	**25,826,965**	(63,012,542)	-	-	**-**	**2,305,698,011**	(15,178,151)	-	(33,772,527)	**(48,950,678)**	2,256,747,333
Infrastructure	8,507,305,347	960,745,628	(42,059,117)	**-**	(96,975,704)	-	-	**-**	**9,329,016,154**	(2,129,788,312)	14,442,998	(293,256,618)	**(2,408,601,932)**	6,920,414,222
Community Assets	928,669,320	135,228,898	(196,518)	**-**	(42,758,175)	-	-	**-**	**1,020,943,525**	(441,376,084)	15,569	(38,875,386)	**(480,235,901)**	540,707,624
Heritage assets	329,270,803	-	-	**-**	-	(9,917,272)	-	**2,302,810**	**321,656,341**	-	-	-	**-**	321,656,341
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	297,821,816	212,680,258	(10,496,771)	**-**	-	-	-	**-**	**500,005,303**	(111,071,766)	3,527,481	(20,334,196)	**(127,878,481)**	372,126,822
Agricultural/Biological assets	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Intangible assets	122,296,516	5,746,080	-	**-**	-	-	-	**-**	**128,042,596**	(9,829,430)	-	(7,932,937)	**(17,762,367)**	110,280,229
Investment properties	2,222,377,240	5,083,363	(1,414,000)	**-**	-	-	-	**41,322,260**	**2,267,368,863**	-	-	-	**-**	2,267,368,863
	14,673,981,316	**1,396,127,541**	**(54,166,406)**	**25,826,965**	**(202,746,421)**	**(9,917,272)**	**-**	**43,625,070**	**15,872,730,793**	**2,707,243,743)**	**17,986,048**	**(394,171,664)**	**3,083,429,359)**	**12,789,301,434**

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	639,512,685	354,690,047	-	-	-	(121,000)	-	**32,088,807**	**1,026,170,539**	-	-	-	-	1,026,170,539
Buildings	937,600,559	95,089,272	-	-	-	-	(366,992)	**71,627,221**	**1,103,950,060**	(5,183,636)	-	(9,994,515)	**(15,178,151)**	1,088,771,909
Work in Progress	101,784,878	-	-	**77,521,208**	(43,186,411)	-	-	-	**136,119,675**	-	-	-	-	136,119,675
	1,678,898,122	**449,779,319**	**-**	**77,521,208**	**(43,186,411)**	**(121,000)**	**(366,992)**	**103,716,028**	**2,266,240,274**	**(5,183,636)**	**-**	**(9,994,515)**	**(15,178,151)**	**2,251,062,123**
Infrastructure														
Bridges	91,249,209	-	-	-	-	-	-	-	**91,249,209**	(6,851,094)	-	(1,405,305)	**(8,256,399)**	82,992,810
Intersections	45,584,823	-	-	-	-	-	-	-	**45,584,823**	(25,324,902)	-	(5,061,514)	**(30,386,416)**	15,198,407
Road Furniture	28,135,128	-	-	-	-	-	-	-	**28,135,128**	(13,795,266)	-	(1,021,775)	**(14,817,041)**	13,318,087
Street lighting	10,474,432	-	-	-	-	-	-	-	**10,474,432**	(2,277,050)	-	(455,098)	**(2,732,148)**	7,742,284
Sanitation	266,043,129	-	-	-	-	-	-	-	**266,043,129**	(58,528,239)	-	(11,532,372)	**(70,060,611)**	195,982,518
Side walks	173,172,011	-	-	-	-	-	-	-	**173,172,011**	(50,932,944)	-	(10,179,617)	**(61,112,561)**	112,059,450
Water	460,692,746	-	-	-	-	-	-	-	**460,692,746**	(114,538,436)	-	(22,616,161)	**(137,154,597)**	323,538,149
Rail road sidings	23,337,859	-	-	-	-	-	-	-	**23,337,859**	(4,696,481)	-	(938,653)	**(5,635,134)**	17,702,725
Roads	2,211,123,833	171,474,679	(61,832,930)	-	-	-	-	-	**2,320,765,582**	(653,308,975)	26,844,859	(104,252,563)	**(730,716,679)**	1,590,048,903
Stormwater	3,004,338	-	-	-	-	-	-	-	**3,004,338**	(631,668)	-	(114,585)	**(746,253)**	2,258,085
Water metres	57,766,284	7,353,840	-	-	-	-	-	-	**65,120,124**	(11,896,104)	-	(3,926,812)	**(15,822,916)**	49,297,208
Water and sanitation	1,773,205,696	12,558,331	-	-	-	-	-	-	**1,785,764,027**	(183,239,778)	-	(36,475,751)	**(219,715,529)**	1,566,048,498
Electricity	2,421,341,668	167,818,612	-	-	-	(104,536,690)	-	-	**2,484,623,590**	(735,490,763)	-	(97,141,263)	**(832,632,026)**	1,651,991,564
Work in Progress	387,142,704	88,670,013	-	-	558,727,633	(285,201,994)	-	-	**749,338,356**	-	-	-	-	749,338,356
	7,952,273,860	**447,875,475**	**(61,832,930)**	**-**	**558,727,633**	**(389,738,684)**	**-**	**-**	**8,507,305,354**	**(1,861,511,700)**	**26,844,859**	**(295,121,469)**	**(2,129,788,310)**	**6,377,517,044**
Community Assets														
Parks	51,558,053	-	(1,837)	-	-	-	-	-	**51,556,216**	(10,120,040)	648	(1,799,318)	**(11,918,710)**	39,637,506
Fresh produce market	53,350,749	1,051,900	-	-	-	-	-	-	**54,402,649**	(20,659,424)	-	(3,857,300)	**(24,516,724)**	29,885,925
Landfill sites	22,347,526	6,460,674	(31,356)	-	-	-	-	-	**28,776,844**	(6,753,486)	22,075	(1,020,081)	**(7,729,417)**	21,025,352
Landfill sites	143,963,590	-	-	-	-	-	-	-	**143,963,590**	(69,928,025)	-	(4,567,021)	**(74,495,046)**	69,468,544
Quarry sites	258,085,200	-	-	-	-	-	-	-	**258,085,200**	(210,261,638)	-	(12,349,192)	**(222,610,830)**	35,474,370
Sports grounds	55,578,711	14,277,870	-	-	-	-	-	-	**69,856,581**	(11,171,387)	-	(2,500,183)	**(13,671,570)**	56,185,011
Swimming pools	27,751,343	-	-	-	-	-	-	-	**27,751,343**	(7,975,430)	-	(1,654,339)	**(9,629,769)**	18,121,574
Stadiums	126,328,376	-	-	-	-	-	-	-	**126,328,376**	(31,974,856)	-	(6,422,623)	**(38,397,479)**	87,930,897
CCTV	51,766,886	2,984,880	-	-	-	-	-	-	**54,751,766**	(12,455,340)	-	(5,145,529)	**(17,600,869)**	37,150,897
Zoo	47,240,586	-	-	-	-	-	-	-	**47,240,586**	(9,104,806)	-	(2,059,715)	**(11,164,521)**	36,076,065
Zoo Animals	3,769,761	543,203	(683,810)	-	-	-	-	-	**3,629,154**	(162,300)	27,436	(176,721)	**(284,149)**	3,345,005
Cemeteries	25,755,708	5,440,463	-	-	-	-	-	-	**31,196,171**	(13,506,166)	7,836,317	(2,913,985)	**(8,583,834)**	22,612,337
Hawker stalls	722,134	-	-	-	-	-	-	-	**722,134**	(72,213)	-	(24,055)	**(96,268)**	625,866
Environmental facilities	1,926,911	-	-	-	-	-	-	-	**1,926,911**	(481,728)	-	(120,349)	**(602,077)**	1,324,834
Council Dogs	61,500	-	-	-	-	-	-	-	**61,500**	(16,524)	-	(8,786)	**(25,310)**	36,190
Work in Progress	14,399,638	-	-	-	34,130,468	(20,109,808)	-	-	**28,420,298**	-	-	-	-	28,420,298
	884,606,672	**30,758,990**	**(717,003)**	**-**	**34,130,468**	**(20,109,808)**	**-**	**-**	**928,669,319**	**(404,643,363)**	**7,886,476**	**(44,619,197)**	**(441,326,573)**	**487,320,671**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	281,352,680	-	-	-	-	-	-	**33,424,510**	**314,777,190**	-	-	-	-	314,777,190
Nature Reserve	-	3,892,105	-	-	-	-	-	-	**3,892,105**	-	-	-	-	3,892,105
Work in Progress	-	-	-	-	10,601,508	-	-	-	**10,601,508**	-	-	-	-	10,601,508
	281,352,680	**3,892,105**	**-**	**-**	**10,601,508**	**-**	**-**	**33,424,510**	**329,270,803**	**-**	**-**	**-**	**-**	**329,270,803**
Other assets														
Firearms	797,752	-	(2,961)	-	-	-	-	-	**794,791**	(148,243)	817	(35,712)	**(182,321)**	612,470
Motor Vehicles	228,671,215	1,291,512	(37,260)	-	-	-	-	**(330,921)**	**229,594,546**	(71,200,448)	-	(14,459,514)	**(85,659,962)**	143,934,584
Tools, plant and equipment	5,381,313	16,957,631	(10,230,521)	-	-	-	-	-	**12,108,423**	(1,905,199)	1,615,544	(5,186,574)	**(5,476,229)**	6,632,194
Furniture and office equipment	40,388,039	21,019,641	(26,678,804)	-	-	-	-	-	**34,728,876**	(8,628,960)	4,705,246	(2,826,341)	**(6,750,055)**	27,978,821
Capitalised leased assets	14,203,093	6,398,090	(3,003)	-	-	-	-	-	**20,598,180**	(7,858,122)	-	(5,144,260)	**(13,002,382)**	7,595,798
	-	-	-	-	-	-	-	-	**-**	-	-	-	**-**	-
	289,441,412	**45,666,874**	**(36,952,549)**	**-**	**-**	**-**	**-**	**(330,921)**	**297,824,816**	**(89,740,972)**	**6,321,607**	**(27,652,401)**	**(111,070,949)**	**186,753,867**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	1,678,898,122	449,779,319	-	**77,521,208**	(43,186,411)	(121,000)	(366,992)	**103,716,028**	**2,266,240,274**	(5,183,636)	-	(9,994,515)	**(15,178,151)**	2,251,062,123
Infrastructure	7,952,273,860	447,875,475	(61,832,930)	**-**	558,727,633	(389,738,684)	-	**-**	**8,507,305,354**	(1,861,511,700)	26,844,859	(295,121,469)	**2,129,788,310)**	6,377,517,044
Community Assets	884,606,672	30,758,990	(717,003)	**-**	34,130,468	(20,109,808)	-	**-**	**928,669,319**	(404,643,363)	7,886,476	(44,619,197)	**(441,326,573)**	487,320,671
Heritage assets	281,352,680	3,892,105	-	**-**	10,601,508	-	-	**33,424,510**	**329,270,803**	-	-	-	**-**	329,270,803
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	289,441,412	45,666,874	(36,952,549)	**-**	-	-	-	**(330,921)**	**297,824,816**	(89,740,972)	6,321,607	(27,652,401)	**(111,070,949)**	186,753,867
	1,086,572,746	**977,972,763**	**(99,502,482)**	**77,521,208**	**560,273,198**	**(409,969,492)**	**(366,992)**	**136,809,617**	**2,329,310,566**	**2,361,079,671)**	**41,052,942**	**(377,387,582)**	**2,697,363,983)**	**9,631,924,508**
Intangible assets														
Computers - software & programming	24,059,296	14,583,277	-	**-**	-	-	-	**-**	**38,642,573**	(3,623,109)	-	(6,206,321)	**(9,829,430)**	28,813,143
Servitudes	82,474,199	1,179,744	-	**-**	-	-	-	**-**	**83,653,943**	-	-	-	**-**	83,653,943
	106,533,495	**15,763,021**	**-**	**-**	**-**	**-**	**-**	**-**	**122,296,516**	**(3,623,109)**	**-**	**(6,206,321)**	**(9,829,430)**	**112,467,086**
Investment properties														
Investment property	2,245,795,627	-	-	**-**	-	-	(23,418,387)	**-**	**2,222,377,240**	-	-	-	**-**	2,222,377,240
Work in Progress	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
	2,245,795,627	**-**	**-**	**-**	**-**	**-**	**(23,418,387)**	**-**	**2,222,377,240**	**-**	**-**	**-**	**-**	**2,222,377,240**
Total														
Land and buildings	1,678,898,122	449,779,319	-	**77,521,208**	(43,186,411)	(121,000)	(366,992)	**103,716,028**	**2,266,240,274**	(5,183,636)	-	(9,994,515)	**(15,178,151)**	2,251,062,123
Infrastructure	7,952,273,860	447,875,475	(61,832,930)	**-**	558,727,633	(389,738,684)	-	**-**	**8,507,305,354**	(1,861,511,700)	26,844,859	(295,121,469)	**2,129,788,310)**	6,377,517,044
Community Assets	884,606,672	30,758,990	(717,003)	**-**	34,130,468	(20,109,808)	-	**-**	**928,669,319**	(404,643,363)	7,886,476	(44,619,197)	**(441,326,573)**	487,320,671
Heritage assets	281,352,680	3,892,105	-	**-**	10,601,508	-	-	**33,424,510**	**329,270,803**	-	-	-	**-**	329,270,803
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	289,441,412	45,666,874	(36,952,549)	**-**	-	-	-	**(330,921)**	**297,824,816**	(89,740,972)	6,321,607	(27,652,401)	**(111,070,949)**	186,753,867
Agricultural/Biological assets	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Intangible assets	106,533,495	15,763,021	-	**-**	-	-	-	**-**	**122,296,516**	(3,623,109)	-	(6,206,321)	**(9,829,430)**	112,467,086
Investment properties	2,245,795,627	-	-	**-**	-	-	(23,418,387)	**-**	**2,222,377,240**	-	-	-	**-**	2,222,377,240
	3,438,901,868	**993,735,784**	**(99,502,482)**	**77,521,208**	**560,273,198**	**(409,969,492)**	**(23,785,379)**	**136,809,617**	**4,673,984,322**	**2,364,702,780)**	**41,052,942**	**(383,593,903)**	**2,707,193,413)**	**1,966,768,834**

Appendix C - (Unaudited)

June 2014

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation						Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment reversal Rand	Closing Balance Rand	Carrying value Rand
Municipality												
Finance	236,860,975	161,446,957	(10,478,558)	-	-	**387,829,374**	(65,627,223)	3,527,481	(10,322,212)	-	**(72,421,954)**	315,407,420
Community &Social Libraries and archives	928,669,319	134,944,291	(196,518)	(42,758,175)	-	**1,020,658,917**	(441,376,083)	15,569	(38,875,386)	-	**(480,235,900)**	540,423,017
Planning and Development/Economic & Development plan	2,184,905,960	94,783,246	-	(37,185,580)	-	**2,242,503,626**	(7,549,974)	-	(30,835,191)	-	**(38,385,165)**	2,204,118,461
Infrastructural Services	4,083,127,601	757,821,676	(11,031,778)	-	-	**4,829,917,499**	(1,061,617,841)	2,661,238	(177,746,960)	-	**(1,236,703,563)**	3,593,213,936
Water/Solid Waste	1,850,884,151	20,922,426	(31,027,339)	(96,975,704)	-	**1,743,803,534**	(235,538,445)	11,781,760	(40,352,869)	-	**(264,109,554)**	1,479,693,980
Electricity	2,713,999,388	236,722,847	(18,213)	-	-	**2,950,704,022**	(888,205,676)	-	(88,761,099)	330,921	**(976,635,854)**	1,974,068,168
	1,998,447,394	**1,406,641,443**	**(52,752,406)**	**(176,919,459)**	**-**	**3,175,416,972**	**(2,699,915,242)**	**17,986,048**	**(386,893,717)**	**330,921**	**(3,068,491,990)**	**0,106,924,982**

Appendix D - Unaudited
June 2014

Segmental Statement of Financial Performance for the year ended

Prior year ended 30 June 2013				Current year ended 30 June 2014		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
957,314,634	-	957,314,634	Property Rates	1,314,690,947	-	1,314,690,947
92	153,431,475	(153,431,383)	City Manager	2,462,255	180,657,596	(178,195,341)
5,837,016	210,060,430	(204,223,414)	Corporate services	6,612,285	192,291,085	(185,678,800)
104,301,407	137,656,351	(33,354,944)	Finance	131,075,155	153,798,399	(22,723,244)
4,761,002	53,072,518	(48,311,516)	Planning & Economic Development	6,719,791	100,311,061	(93,591,270)
12,521,706	274,560,899	(262,039,193)	Community & Social Services	94,379,105	287,522,186	(193,143,081)
13,201,337	63,215,029	(50,013,692)	Housing	5,925,944	83,708,682	(77,782,738)
295,491,631	602,756,502	(307,264,871)	Infrastructural Services	488,932,154	816,552,264	(327,620,110)
582,423,051	571,643,327	10,779,724	Water	692,278,756	616,190,152	76,088,604
2,024,697,052	1,826,946,338	197,750,714	Electricity /Electricity Distribution	2,070,809,190	1,920,146,684	150,662,506
-	-	-		-	-	-
-	-	-	Fresh Produce Market	20,935,957	13,423,072	7,512,885
-	21,789,242	(21,789,242)	Regional Operations	-	52,672,239	(52,672,239)
589,058,685	182,449,378	406,609,307	Miscellaneous	873,639,603	336,785,355	536,854,248
4,589,607,613	**4,097,581,489**	**492,026,124**		**5,708,461,142**	**4,754,058,775**	**954,402,367**

Appendix E(1) - (Audited)

Actual versus Budget(Revenue and Expenditure) for the year e
30 June 2014

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var
Revenue				
Property rates	969,482,446	750,767,000	218,715,446	29.1
Service charges	2,636,832,225	2,984,527,000	(347,694,775)	(11.6)
Rental of facilities and equipment	20,415,882	26,025,000	(5,609,118)	(21.6)
Interest received	188,877,161	327,745,000	(138,867,839)	(42.4)
Dividends received	-	-	-	-
Income from agency services	4,725,487	3,631,000	1,094,487	30.1
Licences and permits	433,435	843,000	(409,565)	(48.6)
Government grants & subsidies	1,722,782,775	1,569,818,000	152,964,775	9.7
Fines	77,361,862	13,408,000	63,953,862	477.0
Other income	87,549,869	967,717,000	(880,167,131)	(91.0)
	5,708,461,142	**6,644,481,000**	**(936,019,858)**	(14.1)
Expenses				
Personnel	(1,105,510,557)	(1,170,378,000)	64,867,443	(5.5)
Remuneration of councillors	(47,106,731)	(49,886,000)	2,779,269	(5.6)
Depreciation	(388,851,807)	(430,583,000)	41,731,193	(9.7)
Impairments	290,854	-	290,854	-
Finance costs	(70,144,989)	(198,745,000)	128,600,011	(64.7)
Debt impairment	(594,567,509)	(175,867,000)	(418,700,509)	238.1
Repairs and maintenance	(264,983,547)	(354,155,000)	89,171,453	(25.2)
Bulk purchases	(1,487,044,186)	(1,602,367,000)	115,322,814	(7.2)
Contracted Services	(226,432,270)	(348,435,000)	122,002,730	(35.0)
Grants and subsidies paid	(11,070,710)	(129,889,000)	118,818,290	(91.5)
General Expenses	(517,114,933)	(942,142,000)	425,027,067	(45.1)
	(4,712,536,385)	**(5,402,447,000)**	**689,910,615**	(12.8)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(27,494,959)	-	(27,494,959)	-
Gain or loss on exchange differences	41,322,260	-	41,322,260	-
Fair value adjustments	(56,770,967)	-	(56,770,967)	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	1,421,276	-	1,421,276	-
	(41,522,390)	**-**	**(41,522,390)**	-
Net surplus/ (deficit) for the year	**954,402,367**	**1,242,034,000**	**(287,631,633)**	(23.2)

Appendix E(2) - (Audited)
June 2014

Actual versus Budget (Acquisition of Property, Plant and Equipment) as at 30 June 2014

	Additions	Adjustment Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Finance	2,975,293	4,000,000	1,024,707	**26**	
Economic Development and Planning	70,786,446	72,499,512	1,713,066	**2**	
Corporate Services	54,206,573	63,914,946	9,708,373	**15**	
Community & Social Services	38,186,039	48,572,061	10,386,022	**21**	
Human Settlement and Housing	6,166,715	13,251,353	7,084,638	**53**	
Fresh Produce Market	-	1,700,000	1,700,000	**100**	
Engineering services	411,673,469	530,359,410	118,685,941	**22**	
Water Services	249,009,469	289,833,179	40,823,710	**14**	
Electricity /Electricity Distribution	224,426,894	262,587,389	38,160,495	**15**	
Strategic Projects and Service Delivery	2,090,195	5,100,000	3,009,805	**59**	
	1,059,521,093	**1,291,817,850**	**232,296,757**	**18**	

Appendix F - (Unaudited)
Disclosures of Grants and Subsidies (in terms of Section 123 MFMA, 56 of 2003)
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Equitable share	National	252,113,000	185,683,000	167,276,000	-	189,084,750	155,869,750	134,660,500	125,457,000
Public Transport Infrastructure & System Grant	National	5,000,000	10,000,000	5,000,000	-	2,603,624	4,125,000	16,679,921	3,647,528
DWAF Grant Water Conservation	National	-	-	5,651,385	1,477,994	1,355,282	(1,280,284)	6,551,699	957,698
MIG Grant -Infrastructural Services	National	-	-	-	-	-	-	-	-
MIG Grant Capacity Building	National	-	-	-	-	-	-	-	-
Financial Management Grant	National	1,500,000	-	-	-	229,062	1,173,944	87,123	9,871
Municipal System Improvement Grant	National	-	-	-	-	-	-	-	-
National Electrification Program Grant	National	17,000,000	-	25,000,000	-	-	17,000,000	-	25,000,000
Electricity Demand Side Management Grant	National	-	-	8,000,000	-	-	-	-	8,000,000
Urban Settlment Development Grant	National	-	387,867,350	208,851,650	-	84,790,048	167,908,825	105,324,101	291,720,533
Fuel levy	National	81,007,000	81,007,000	81,008,000	-	48,604,200	59,405,133	74,256,667	60,756,000
EPWP Grant	National	1,558,000	1,169,000	1,169,000	-	-	823,745	1,287,217	5,707,882
Sustainable Human Settlement Support Grant	National	-	25,000,000	75,000,000	-	-	370,710	12,931,429	59,539,452
Department Water Affairs Grant	National	2,300,000	2,300,000	2,300,000	-	882,621	3,815,363	2,146,592	6,055,424
CHAN 2014 National Sport and Recreation Grant	National	-	28,500,000	-	-	10,576	17,040,014	11,449,409	-
DBSA Grant Capacity Building Programme	National	-	-	-	-	-	-	234,104	-
Motheo Contr- Enviromental Health	National	-	-	-	-	-	-	-	466,705
2010 Stadia Provincial Grant	Provincial	-	-	-	-	-	-	-	6,419,794
Housing Accreditation Subsidy	Provincial	-	-	5,000,000	-	-	-	-	1,386,002
CCTV For BFN CBD Stadium Navil Hill	Provincial	-	-	-	-	-	-	3,192,004	-
Provincial Grant -Urban Renewal	Provincial	-	-	-	-	-	-	280,553	-
Upgrading Housing Batho	Provincial	-	-	-	-	-	1,013,770	480,130	73,199
Provincial Grant Upgrading Roads in Batho	Provincial	-	-	-	-	-	-	-	4,476
Provincial Grant Township Establishment Caleb Motshabi	Provincial	-	-	-	-	-	-	135,964	-
City of Ghent	City of Ghent	-	303,990	-	-	86,000	173,726	229,282	1,507
Provincial Grant - Batho Car Wash	Provincial	-	-	-	-	-	-	-	60,000
		360,478,000	721,830,340	584,256,035	1,477,994	327,646,163	427,439,696	369,926,695	595,263,071

Appendix G1 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June, 2014

	2014/2013										2013/2012	
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard												
Governance and administration	**2,598,325,000**	**411,299,818**	**3,009,624,818**	**-**	**3,009,624,818**	**2,990,845,065**		**(18,779,753)**	**99 %**	**115 %**		
Executive and council	1,553,000	1,000,000	2,553,000	-	2,553,000	1,367,708		(1,185,292)	54 %	88 %		
Budget and treasury office	2,424,788,000	410,299,818	2,835,087,818	-	2,835,087,818	2,986,508,883		151,421,065	105 %	123 %		
Corporate services	171,984,000	-	171,984,000	-	171,984,000	2,968,474		(169,015,526)	2 %	2 %		
Community and public safety	**40,697,000**	**1,840,000**	**42,537,000**	**-**	**42,537,000**	**93,765,675**		**51,228,675**	**220 %**	**230 %**		
Community and social services	5,071,000	-	5,071,000	-	5,071,000	4,882,275		(188,725)	96 %	96 %		
Sport and recreation	584,000	-	584,000	-	584,000	1,694,295		1,110,295	290 %	290 %		
Public safety	19,732,000	1,840,000	21,572,000	-	21,572,000	78,570,554		56,998,554	364 %	398 %		
Housing	14,972,000	-	14,972,000	-	14,972,000	8,614,020		(6,357,980)	58 %	58 %		
Health	338,000	-	338,000	-	338,000	4,531		(333,469)	1 %	1 %		
Economic and environmental services	**8,275,000**	**-**	**8,275,000**	**-**	**8,275,000**	**6,912,343**		**(1,362,657)**	**84 %**	**84 %**		
Planning and development	5,910,000	-	5,910,000	-	5,910,000	5,842,598		(67,402)	99 %	99 %		
Road transport	2,172,000	-	2,172,000	-	2,172,000	955,651		(1,216,349)	44 %	44 %		
Environmental protection	193,000	-	193,000	-	193,000	114,094		(78,906)	59 %	59 %		
Trading services	**3,526,950,000**	**53,198,000**	**3,580,148,000**	**-**	**3,580,148,000**	**3,252,020,099**		**(328,127,901)**	**91 %**	**92 %**		
Electricity	2,454,613,000	1,639,000	2,456,252,000	-	2,456,252,000	2,070,809,190		(385,442,810)	84 %	84 %		
Water	668,129,000	32,614,000	700,743,000	-	700,743,000	692,278,756		(8,464,244)	99 %	104 %		
Waste water management	213,496,000	2,497,000	215,993,000	-	215,993,000	273,968,569		57,975,569	127 %	128 %		
Waste management	190,712,000	16,448,000	207,160,000	-	207,160,000	214,963,584		7,803,584	104 %	113 %		
Other	**19,516,000**	**1,055,000**	**20,571,000**	**-**	**20,571,000**	**30,027,092**		**9,456,092**	**146 %**	**154 %**		
Other	19,516,000	1,055,000	20,571,000	-	20,571,000	30,027,092		9,456,092	146 %	154 %		
Total Revenue - Standard	**6,193,763,000**	**467,392,818**	**6,661,155,818**	**-**	**6,661,155,818**	**6,373,570,274**		**(287,585,544)**	**96 %**	**103 %**		

Appendix G1 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June, 2014

	2014/2013										2013/2012	
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard												
Governance and administration	**1,293,073,000**	**54,171,000**	**1,347,244,000**	**-**	**1,347,244,000**	**1,624,293,434**	**-**	**277,049,434**	**121 %**	**126 %**	**-**	**-**
Executive and council	271,778,000	39,684,000	311,462,000	-	311,462,000	245,597,067	-	(65,864,933)	79 %	90 %	-	-
Budget and treasury office	699,132,000	7,026,000	706,158,000	-	706,158,000	1,073,752,557	-	367,594,557	152 %	154 %	-	-
Corporate services	322,163,000	7,461,000	329,624,000	-	329,624,000	304,943,810	-	(24,680,190)	93 %	95 %	-	-
Community and public safety	**428,360,000**	**2,624,000**	**430,984,000**	**-**	**430,984,000**	**351,126,560**	**-**	**(79,857,440)**	**81 %**	**82 %**	**-**	**-**
Community and social services	122,786,000	72,000	122,858,000	-	122,858,000	98,216,661	-	(24,641,339)	80 %	80 %	-	-
Sport and recreation	42,672,000	(30,000)	42,642,000	-	42,642,000	24,198,706	-	(18,443,294)	57 %	57 %	-	-
Public safety	190,498,000	(479,000)	190,019,000	-	190,019,000	160,185,214	-	(29,833,786)	84 %	84 %	-	-
Housing	59,841,000	3,061,000	62,902,000	-	62,902,000	58,666,127	-	(4,235,873)	93 %	98 %	-	-
Health	12,563,000	-	12,563,000	-	12,563,000	9,859,852	-	(2,703,148)	78 %	78 %	-	-
Economic and environmental services	**424,724,000**	**8,386,000**	**433,110,000**	**-**	**433,110,000**	**553,119,786**	**-**	**120,009,786**	**128 %**	**130 %**	**-**	**-**
Planning and development	89,878,000	4,066,000	93,944,000	-	93,944,000	92,369,753	-	(1,574,247)	98 %	103 %	-	-
Road transport	312,529,000	4,400,000	316,929,000	-	316,929,000	444,321,198	-	127,392,198	140 %	142 %	-	-
Environmental protection	22,317,000	(80,000)	22,237,000	-	22,237,000	16,428,835	-	(5,808,165)	74 %	74 %	-	-
Trading services	**3,203,511,000**	**(14,479,000)**	**3,189,032,000**	**-**	**3,189,032,000**	**2,804,796,747**	**-**	**(384,235,253)**	**88 %**	**88 %**	**-**	**-**
Electricity	2,269,095,000	(78,895,000)	2,190,200,000	-	2,190,200,000	1,920,146,684	-	(270,053,316)	88 %	85 %	-	-
Water	623,746,000	50,657,000	674,403,000	-	674,403,000	616,190,152	-	(58,212,848)	91 %	99 %	-	-
Waste water management	185,685,000	8,000,000	193,685,000	-	193,685,000	124,673,766	-	(69,011,234)	64 %	67 %	-	-
Waste management	124,985,000	5,759,000	130,744,000	-	130,744,000	143,786,145	-	13,042,145	110 %	115 %	-	-
Other	**18,805,000**	**(53,000)**	**18,752,000**	**-**	**18,752,000**	**13,709,582**	**-**	**(5,042,418)**	**73 %**	**73 %**	**-**	**-**
Other	18,805,000	(53,000)	18,752,000	-	18,752,000	13,709,582	-	(5,042,418)	73 %	73 %	-	-
Total Expenditure - Standard	**5,368,473,000**	**50,649,000**	**5,419,122,000**	**-**	**5,419,122,000**	**5,347,046,109**	**-**	**(72,075,891)**	**99 %**	**100 %**	**-**	**-**
Surplus/(Deficit) for the year	**825,290,000**	**416,743,818**	**1,242,033,818**	**-**	**1,242,033,818**	**1,026,524,165**		**(215,509,653)**	**83 %**	**124 %**		

Appendix G2 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June, 2014

	2014/2013											2013/2012		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final 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	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote														
Property Rates	913,732,713	182,242,613	1,095,975,326	-		1,095,975,326	1,314,690,947		218,715,621	120 %	144 %			-
City Manager	-	-	-	-		-	(2,462,255)		(2,462,255)	DIV/0 %	DIV/0 %			-
Corporate Services	11,511,836	-	11,511,836	-		11,511,836	6,612,285		(4,899,551)	57 %	57 %			-
Finance	128,709,367	-	128,709,367	-		128,709,367	131,075,155		2,365,788	102 %	102 %			-
Community & Social Development	15,575,132	1,840,000	17,415,132	-		17,415,132	94,379,105		76,963,973	542 %	606 %			-
Economic Development & Planning	5,910,368	1,000,000	6,910,368	-		6,910,368	6,719,791		(190,577)	97 %	114 %			-
Fresh Produce Market	19,142,905	1,054,840	20,197,745	-		20,197,745	20,935,957		738,212	104 %	109 %			-
Infrastructural Services	405,547,827	18,944,992	424,492,819	-		424,492,819	488,932,154		64,439,335	115 %	121 %			-
Water	668,128,541	32,613,963	700,742,504	-		700,742,504	692,278,756		(8,463,748)	99 %	104 %			-
Miscellaneous Services	1,383,898,717	221,602,189	1,605,500,906	6,455,016		1,611,955,922	1,526,414,421		(85,541,501)	95 %	110 %			-
Housing	175,610,754	-	175,610,754	-		175,610,754	5,925,944		(169,684,810)	3 %	3 %			-
Regional Operations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
Electricity - Centlec (SOC) Ltd	2,465,994,692	1,639,025	2,467,633,717	-		2,467,633,717	2,070,809,190		(396,824,527)	84 %	84 %			-
Total Revenue by Vote	**6,193,762,852**	**460,937,622**	**6,654,700,474**	**6,455,016**		**6,661,155,490**	**6,356,311,450**		**(304,844,040)**	**95 %**	**103 %**			**-**
Expenditure by Vote to be appropriated														
Property Rates	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
City Manager	205,038,153	-	205,038,153	-	-	205,038,153	180,657,596	-	(24,380,557)	88 %	88 %	-	-	-
Corporate Services	273,910,866	5,533,452	279,444,318	-	-	279,444,318	192,291,085	-	(87,153,233)	69 %	70 %	-	-	-
Finance	187,575,266	(12,673,962)	174,901,304	-	-	174,901,304	153,798,399	-	(21,102,905)	88 %	82 %	-	-	-
Community and Social Development	340,417,562	1,450,000	341,867,562	-	-	341,867,562	287,522,186	-	(54,345,376)	84 %	84 %	-	-	-
Economic Development and Planning	100,934,405	5,119,128	106,053,533	-	-	106,053,533	100,311,061	-	(5,742,472)	95 %	99 %	-	-	-
Fresh Produce Market	18,428,216	-	18,428,216	-	-	18,428,216	13,423,072	-	(5,005,144)	73 %	73 %	-	-	-
Infrastructural Services	668,370,489	18,258,938	686,629,427	-	-	686,629,427	816,552,264	-	129,922,837	119 %	122 %	-	-	-
Water	623,745,812	50,656,811	674,402,623	-	-	674,402,623	616,190,152	-	(58,212,471)	91 %	99 %	-	-	-
Miscellaneous Services	520,733,678	23,700,000	544,433,678	-	-	544,433,678	912,513,860	-	368,080,182	168 %	175 %	-	-	-
Housing	94,278,918	3,000,000	97,278,918	-	-	97,278,918	83,708,682	-	(13,570,236)	86 %	89 %	-	-	-
Regional Operations	54,562,209	36,500,000	91,062,209	-	-	91,062,209	52,672,239	-	(38,389,970)	58 %	97 %	-	-	-
Electricity - Centlec (SOC) Ltd	2,280,477,249	80,894,982	2,361,372,231	-	-	2,361,372,231	1,920,146,684	-	(441,225,547)	81 %	84 %	-	-	-
Total Expenditure by Vote	**5,368,472,823**	**212,439,349**	**5,580,912,172**	**-**	**-**	**5,580,912,172**	**5,329,787,280**	**-**	**(251,124,892)**	**96 %**	**99 %**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**825,290,029**	**248,498,273**	**1,073,788,302**	**6,455,016**		**1,080,243,318**	**1,026,524,170**		**(53,719,148)**	**95 %**	**124 %**			**-**

Appendix G3 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	568,524,000	182,243,000	750,767,000	-		750,767,000	969,482,446		218,715,446	129 %	171 %				514,177,402
Service charges - electricity revenue	2,102,657,000	-	2,102,657,000	-		2,102,657,000	1,701,340,744		(401,316,256)	81 %	81 %				1,657,983,609
Service charges - water revenue	589,873,000	32,614,000	622,487,000	-		622,487,000	813,760,071		191,273,071	131 %	138 %				658,293,099
Service charges - sanitation revenue	143,043,000	2,497,000	145,540,000	-		145,540,000	-		(145,540,000)	- %	- %				-
Service charges - refuse revenue	97,396,000	16,448,000	113,844,000	-		113,844,000	121,731,410		7,887,410	107 %	125 %				59,876,719
Rental of facilities and equipment	25,908,000	117,000	26,025,000	-		26,025,000	20,415,882		(5,609,118)	78 %	79 %				17,707,283
Interest earned - external investments	177,902,000	3,000,000	180,902,000	-		180,902,000	188,877,161		7,975,161	104 %	106 %				162,578,258
Interest earned - outstanding debtors	146,843,000	-	146,843,000	-		146,843,000	-		(146,843,000)	- %	- %				-
Fines	13,208,000	1,840,000	15,048,000	-		15,048,000	77,361,862		62,313,862	514 %	586 %				3,828,695
Licences and permits	843,000	-	843,000	-		843,000	433,435		(409,565)	51 %	51 %				431,226
Agency services	3,631,000	-	3,631,000	-		3,631,000	4,725,487		1,094,487	130 %	130 %				8,602,841
Transfers recognised - operational	654,372,000	46,568,066	700,940,066	-		700,940,066	933,889,371		232,949,305	133 %	143 %				884,892,828
Other revenue	970,388,000	937,870	971,325,870	-		971,325,870	30,778,902		(940,546,968)	3 %	3 %				42,869,512
Gains on disposal of PPE	900,000	-	900,000	-		900,000	15,248,577		14,348,577	1,694 %	1,694 %				(57,752,445)
Total Revenue (excluding capital transfers and contributions)	**5,495,488,000**	**286,264,936**	**5,781,752,936**	**-**		**5,781,752,936**	**4,878,045,348**		**(903,707,588)**	**84 %**	**89 %**				**3,953,489,027**

Appendix G3 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	1,191,122,000	(20,774,000)	1,170,348,000	-	-	1,170,348,000	1,105,510,557	-	(64,837,443)	94 %	93 %	-	-	-	970,254,774
Remuneration of councillors	49,886,000	-	49,886,000	-	-	49,886,000	47,106,731	-	(2,779,269)	94 %	94 %	-	-	-	43,610,235
Debt impairment	260,837,000	(85,000,000)	175,837,000		-	175,837,000	594,567,509	-	418,730,509	338 %	228 %	-	-	-	349,104,601
Depreciation & asset impairment	449,583,000	(19,000,000)	430,583,000		-	430,583,000	388,560,953	-	(42,022,047)	90 %	86 %	-	-	-	377,021,856
Finance charges	200,445,000	(1,700,000)	198,745,000	-	-	198,745,000	70,144,989	-	(128,600,011)	35 %	35 %	-	-	-	41,530,717
Bulk purchases	1,602,367,000	-	1,602,367,000	-	-	1,602,367,000	1,487,044,186	-	(115,322,814)	93 %	93 %	-	-	-	1,402,134,122
Other Materials	309,900,000	44,286,000	354,186,000	-	-	354,186,000	226,432,270	-	(127,753,730)	64 %	73 %	-	-	-	210,854,297
Transfers and grants	121,889,000	8,000,000	129,889,000	-	-	129,889,000	11,070,710	-	(118,818,290)	9 %	9 %	-	-	-	8,941,314
Other expenditure	1,182,445,000	124,836,000	1,307,281,000	-	-	1,307,281,000	782,098,480	-	(525,182,520)	60 %	66 %	-	-	-	562,039,862
Total Expenditure	**5,368,474,000**	**50,648,000**	**5,419,122,000**	**-**	**-**	**5,419,122,000**	**4,712,536,385**	**-**	**(706,585,615)**	**87 %**	**88 %**	**-**	**-**	**-**	**3,965,491,778**
Surplus/(Deficit)	**127,014,000**	**235,616,936**	**362,630,936**	**-**		**362,630,936**	**165,508,963**		**(197,121,973)**	**46 %**	**130 %**				**(12,002,751)**
Transfers recognised - capital	686,388,000	176,034,123	862,422,123	-		862,422,123	788,893,404		(73,528,719)	91 %	115 %				504,028,875
Contributions recognised - capital	11,888,000	-	11,888,000	-		11,888,000	-		(11,888,000)	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	**825,290,000**	**411,651,059**	**1,236,941,059**	**-**		**1,236,941,059**	**954,402,367**		**(282,538,692)**	**77 %**	**116 %**				**492,026,124**

Appendix G4 - (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	26,000,000	-	26,000,000	-	-	26,000,000	11,975,962	-	(14,024,038)	46 %	46 %	-	-	-	-
Vote 4 - Finance	500,000	-	500,000	-	-	500,000	897,562	-	397,562	180 %	180 %	-	-	-	-
Vote 5 - Social Services	24,484,000	(14,474,000)	10,010,000	-	-	10,010,000	6,085,443	-	(3,924,557)	61 %	25 %	-	-	-	-
Vote 6 - Planning	42,835,000	47,000	42,882,000	-	-	42,882,000	41,031,639	-	(1,850,361)	96 %	96 %	-	-	-	-
Vote 7 - Human Settlement and Housing	8,000,000	(2,235,000)	5,765,000	-	-	5,765,000	-	-	(5,765,000)	- %	- %	-	-	-	-
Vote 8 - Fresh Produce Market	1,000,000	-	1,000,000	-	-	1,000,000	-	-	(1,000,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	274,674,000	63,752,000	338,426,000	-	-	338,426,000	258,399,639	-	(80,026,361)	76 %	94 %	-	-	-	-
Vote 10 - Water Services	162,000,000	81,529,000	243,529,000	-	-	243,529,000	169,574,792	-	(73,954,208)	70 %	105 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 14 - Electricity - Centlec (Soc) Ltd	146,588,000	64,113,000	210,701,000	-	-	210,701,000	179,789,743	-	(30,911,257)	85 %	123 %	-	-	-	-
Capital multi-year expenditure sub-total	**686,081,000**	**192,732,000**	**878,813,000**	**-**	**-**	**878,813,000**	**667,754,780**	**-**	**(211,058,220)**	**76 %**	**97 %**	**-**	**-**	**-**	**-**
Single-year expenditure															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	6,584,000	31,330,000	37,914,000	-	-	37,914,000	42,230,611	-	4,316,611	111 %	641 %	-	-	-	-
Vote 4 - Finance	1,500,000	2,000,000	3,500,000	-	-	3,500,000	2,077,730	-	(1,422,270)	59 %	139 %	-	-	-	-
Vote 5 - Social Services	5,300,000	33,262,000	38,562,000	-	-	38,562,000	32,100,596	-	(6,461,404)	83 %	606 %	-	-	-	-
Vote 6 - Planning	14,410,000	12,308,000	26,718,000	-	-	26,718,000	29,754,807	-	3,036,807	111 %	206 %	-	-	-	-
Vote 7 - Human Settlement and Housing	500,000	6,986,000	7,486,000	-	-	7,486,000	6,166,715	-	(1,319,285)	82 %	1,233 %	-	-	-	-
Vote 8 - Fresh Produce Market	700,000	-	700,000	-	-	700,000	-	-	(700,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	116,524,000	75,409,000	191,933,000	-	-	191,933,000	153,273,830	-	(38,659,170)	80 %	132 %	-	-	-	-
Vote 10 - Water Services	16,388,000	29,916,000	46,304,000	-	-	46,304,000	79,434,677	-	33,130,677	172 %	485 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	8,000,000	-	8,000,000	-	-	8,000,000	2,090,195	-	(5,909,805)	26 %	26 %	-	-	-	-
Vote 14 - Electricity - Centlec (Soc) Ltd	10,000,000	41,886,000	51,886,000	-	-	51,886,000	44,637,151	-	(7,248,849)	86 %	446 %	-	-	-	-
Capital single-year expenditure sub-total	**179,906,000**	**233,097,000**	**413,003,000**	**-**	**-**	**413,003,000**	**391,766,312**	**-**	**(21,236,688)**	**95 %**	**218 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**865,987,000**	**425,829,000**	**1,291,816,000**	**-**	**-**	**1,291,816,000**	**1,059,521,092**	**-**	**(232,294,908)**	**82 %**	**122 %**	**-**	**-**	**-**	**-**

Appendix G4 - (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final 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
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**64,393,000**	**25,117,000**	**89,510,000**	**-**	**-**	**89,510,000**	**46,246,660**	**-**	**(43,263,340)**	**52 %**	**72 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	2,000,000	2,000,000	4,000,000	-	-	4,000,000	2,975,293	-	(1,024,707)	74 %	149 %	-	-	-	-
Corporate services	62,393,000	23,117,000	85,510,000	-	-	85,510,000	43,271,367	-	(42,238,633)	51 %	69 %	-	-	-	-
Community and public safety	**42,384,000**	**31,338,000**	**73,722,000**	**-**	**-**	**73,722,000**	**55,140,127**	**-**	**(18,581,873)**	**75 %**	**130 %**	**-**	**-**	**-**	**-**
Community and social services	22,484,000	8,845,000	31,329,000	-	-	31,329,000	26,237,102	-	(5,091,898)	84 %	117 %	-	-	-	-
Sport and recreation	12,100,000	6,434,000	18,534,000	-	-	18,534,000	11,624,235	-	(6,909,765)	63 %	96 %	-	-	-	-
Public safety	7,300,000	9,443,000	16,743,000	-	-	16,743,000	11,482,232	-	(5,260,768)	69 %	157 %	-	-	-	-
Housing	500,000	6,616,000	7,116,000	-	-	7,116,000	5,796,558	-	(1,319,442)	81 %	1,159 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**181,837,000**	**45,460,000**	**227,297,000**	**-**	**-**	**227,297,000**	**231,175,376**	**-**	**3,878,376**	**102 %**	**127 %**	**-**	**-**	**-**	**-**
Planning and development	65,245,000	9,412,000	74,657,000	-	-	74,657,000	72,876,641	-	(1,780,359)	98 %	112 %	-	-	-	-
Road transport	116,592,000	35,548,000	152,140,000	-	-	152,140,000	157,832,030	-	5,692,030	104 %	135 %	-	-	-	-
Environmental protection	-	500,000	500,000	-	-	500,000	466,705	-	(33,295)	93 %	DIV/0 %	-	-	-	-
Trading services	**575,673,000**	**320,972,000**	**896,645,000**	**-**	**-**	**896,645,000**	**726,958,929**	**-**	**(169,686,071)**	**81 %**	**126 %**	**-**	**-**	**-**	**-**
Electricity	156,588,000	105,999,000	262,587,000	-	-	262,587,000	224,426,894	-	(38,160,106)	85 %	143 %	-	-	-	-
Water	178,388,000	111,445,000	289,833,000	-	-	289,833,000	249,009,469	-	(40,823,531)	86 %	140 %	-	-	-	-
Waste water management	227,147,000	94,569,000	321,716,000	-	-	321,716,000	242,763,422	-	(78,952,578)	75 %	107 %	-	-	-	-
Waste management	13,550,000	8,959,000	22,509,000	-	-	22,509,000	10,759,144	-	(11,749,856)	48 %	79 %	-	-	-	-
Other	**1,700,000**	**2,943,000**	**4,643,000**	**-**	**-**	**4,643,000**	**-**	**-**	**(4,643,000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Other	1,700,000	2,943,000	4,643,000	-	-	4,643,000	-	-	(4,643,000)	- %	- %	-	-	-	-
Total Capital Expenditure - Standard	**865,987,000**	**425,830,000**	**1,291,817,000**	**-**	**-**	**1,291,817,000**	**1,059,521,092**	**-**	**(232,295,908)**	**82 %**	**122 %**	**-**	**-**	**-**	**-**
Funded by:															
National Government	642,615,000	129,612,000	772,227,000	-		772,227,000	697,901,981		(74,325,019)	90 %	109 %				-
Provincial Government	43,773,000	39,697,000	83,470,000	-		83,470,000	74,408,690		(9,061,310)	89 %	170 %				-
District Municipality	-	500,000	500,000	-		500,000	467,000		(33,000)	93 %	DIV/0 %				-
Other transfers and grants	-	85,000	85,000	-		85,000	20,000		(65,000)	24 %	DIV/0 %				-
Transfers recognised - capital	**686,388,000**	**169,894,000**	**856,282,000**	**-**		**856,282,000**	**772,797,671**		**(83,484,329)**	**90 %**	**113 %**				**-**
Public contributions & donations	11,888,000	5,788,000	17,676,000	-		17,676,000	25,246,000		7,570,000	143 %	212 %				-
Borrowing	36,684,000	2,722,000	39,406,000	-		39,406,000	28,772,000		(10,634,000)	73 %	78 %				-
Internally generated funds	131,027,000	247,426,000	378,453,000	-		378,453,000	232,705,421		(145,747,579)	61 %	178 %				-
Total Capital Funding	**865,987,000**	**425,830,000**	**1,291,817,000**	**-**		**1,291,817,000**	**1,059,521,092**		**(232,295,908)**	**82 %**	**122 %**				**-**

Appendix G5 - (Unaudited)
Budgeted Cash Flows
for the year ended 30 June, 2014

	2014/2013								2013
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	4,206,726,000	360,003,000	4,566,729,000	4,566,729,000	2,953,182,403	(1,613,546,597)	65 %	70 %	3,916,840,964
Government - operating	1,340,760,000	87,211,000	1,427,971,000	1,427,971,000	1,640,963,650	212,992,650	115 %	122 %	-
Interest	317,403,000	3,000,000	320,403,000	320,403,000	168,282,043	(152,120,957)	53 %	53 %	162,578,258
Payments									
Suppliers and employees	(4,686,926,000)	(75,543,000)	(4,762,469,000)	(4,762,469,000)	(3,647,692,742)	1,114,776,258	77 %	78 %	6,579,078,549
Finance charges	(200,445,000)	1,700,000	(198,745,000)	(198,745,000)	(40,773,622)	157,971,378	21 %	20 %	41,530,717
Transfers and Grants	(121,888,986)	(8,000,000)	(129,888,986)	(129,888,986)	-	129,888,986	- %	- %	8,941,314
Net cash flow from/used operating activities	**855,629,014**	**368,371,000**	**1,224,000,014**	**1,224,000,014**	**1,073,961,732**	**(150,038,282)**	**88 %**	**126 %**	**10,708,969,802**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	1,000	-	1,000	1,000	-	(1,000)	- %	- %	(57,752,445)
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(13,160,457)
Decrease (increase) other non-current receivables	55,000,000	-	55,000,000	55,000,000	(186,162,828)	(241,162,828)	(338)%	(338)%	-
Interest received	-	-	-	-	20,595,118	20,595,118	DIV/0 %	DIV/0 %	16,782
Payments									
Capital assets	(692,791,000)	(354,246,000)	(1,047,037,000)	(1,047,037,000)	(1,184,548,318)	(137,511,318)	113 %	171 %	-
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	**(637,790,000)**	**(354,246,000)**	**(992,036,000)**	**(992,036,000)**	**(1,350,116,028)**	**(358,080,028)**	**136 %**	**212 %**	**(70,896,120)**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	462,348
Borrowing long term/refinancing	40,393,583	4,500,000	44,893,583	44,893,583	153,341,288	108,447,705	342 %	380 %	365,214,281
Increase (decrease) in consumer deposits	6,000,000	-	6,000,000	6,000,000	1,307,046	(4,692,954)	22 %	22 %	76,715,593
Payments									
Repayment of borrowing	(35,000,000)	-	(35,000,000)	(35,000,000)	-	35,000,000	- %	- %	-
Interest paid	-	-	-	-	(29,371,367)	(29,371,367)	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**11,393,583**	**4,500,000**	**15,893,583**	**15,893,583**	**125,276,967**	**109,383,384**	**788 %**	**1,100 %**	**442,392,222**
Net increase/(decrease) in cash held	**229,232,597**	**18,625,000**	**247,857,597**	**247,857,597**	**(150,877,329)**	**(398,734,926)**	**(61)%**	**(66)%**	**11,080,465,904**
Cash/cash equivalents at the year begin:					603,086,253				-
Cash/cash equivalents at the year end:	**229,232,597**	**18,625,000**	**247,857,597**	**247,857,597**	**452,208,924**	**(398,734,926)**	**182 %**	**197 %**	

Mangaung Metropolitan Municipality
Appendix H - (Audited)
Councillors' arrear consumer accounts (Arrears over 90 Days)
For the year ended 30 June 2014

Surname & Initial		Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Bacela GM		0.00	0.00	0.00	247.87	495.74	745.44	996.98	1,250.35	1,505.55	1,762.57	2,021.43	1,832.12
Lekgela LE		49,843.53	49,487.53	48,015.71	48,567.87	45,121.37	43,665.74	42,199.25	8,190.02	4,869.51	3,369.87	1,632.13	78.34
Manyoni T M		20.24	23.96	0.00	0.00	0.00	0.00	0.00	3.32	0.00	0.00	0.00	0.00
Masoetsa LA		0.00	1.84	0.00	436.15	0.00	0.00	0.00	0.00	0.00	17.75	32.39	0.00
Matsoetlane MJ		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36.01	72.48	0.00
Mbange MB		848.28	848.28	848.28	848.28	848.28	1,165.98	1,901.13	2,519.45	2,998.73	3,174.70	2,936.43	3,279.11
Minnie H		0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.95	92.74	141.84	191.27	241.04
Mononyane MB		19,665.69	20,415.90	35,752.88	68,226.90	38,677.63	40,971.00	41,432.20	42,213.63	42,930.00	43,650.06	44,386.97	44,090.71
Mphegeka MS		30,396.66	30,256.99	30,066.21	30,570.30	29,931.11	29,880.95	29,802.50	29,720.99	29,639.73	29,555.62	29,472.86	29,389.46
Mtshiwane KJ		0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.18
Ndamane SS		0.00	0.00	0.00	48.79	97.58	146.71	196.18	245.99	296.14	346.62	397.44	248.60
Nkoe MJ		55,552.54	58,364.31	59,103.44	60,195.92	57,915.34	59,023.52	60,619.56	62,622.96	63,412.95	65,015.21	65,576.31	66,075.29
Nothnagel J		3,939.98	4,463.21	3,904.80	4,552.41	5,203.64	5,836.69	6,489.04	7,145.97	6,807.36	6,473.33	7,143.88	5,395.97
Olivier GJ		191.65	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sechoaro CSK *		0.00	0.00	0.00	0.00	333.44	329.72	811.55	1,502.47	1,365.28	2,198.93	2,975.82	1,848.01
Teko ED		67,243.00	69,105.65	72,973.51	76,880.75	80,784.34	15,047.57	19,229.64	23,432.22	24,002.73	24,113.29	24,229.67	24,346.05
Thipenyane G		1,695.64	1,345.35	1,186.93	1,186.93	873.92	1,186.77	1,591.38	1,999.22	2,487.35	1,983.45	0.00	0.00
Toba AL		183.85	151.87	0.00	189.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tsomela MM		0.00	21.76	3.29	0.00	10.72	0.45	0.00	0.00	227.96	527.28	799.66	679.91
Van der Merwe RA		0.00	0.00	0.00	85.39	170.78	256.76	343.34	430.51	518.27	606.62	0.00	0.00
Ward VW		10,769.37	8,937.57	10,013.56	9,252.22	10,952.07	12,675.21	14,627.64	16,621.82	18,538.83	18,881.15	18,857.20	20,855.38
GRAND TOTAL		**240,350.43**	**243,424.24**	**261,868.61**	**301,288.97**	**271,415.96**	**210,932.51**	**220,240.84**	**197,942.87**	**199,693.13**	**201,854.30**	**200,725.94**	**198,360.17**

For the year ended 30 June 2013

Name	Surname	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
AUMA LETTAH	TOBA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135.52	244.95	196.70	0.00
ELIZABETH	SNYMAN-VAN DEVENTER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ERICA DIKELEDI	TEKO	45,029.64	45,893.24	46,761.64	47,625.24	48,933.01	50,706.73	52,486.85	54,281.22	56,080.80	57,894.67	59,713.75	44,156.45
GERHARDUS JOHANNES	OLIVIER	5,500.67	5,516.85	5,033.03	4,549.21	4,065.39	3,581.57	3,097.75	2,613.93	2,130.11	1,646.29	1,162.47	5,484.49
JEANINE	NOTHNAGEL	0.00	0.00	0.00	0.00	489.86	0.00	493.48	991.37	1,492.87	1,998.00	2,506.75	0.00
LEAOWA ELLIOT	LEKGELA	55,499.92	54,602.62	55,446.29	54,548.40	54,069.68	53,710.15	53,344.83	44,834.23	44,443.89	44,042.78	43,645.75	57,077.76
LESIBE EPHRAIM	MAPHAKISA	10,460.11	10,604.96	10,750.04	10,895.37	11,159.81	11,421.44	11,684.41	11,948.74	12,214.42	12,481.46	12,749.84	10,315.50
LULAMA MAGDELINE	TITI-ODILE	7,155.82	5,294.55	3,433.48	1,572.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,015.60
LULAMA RYLLINA	JULY	240.45	481.81	253.13	158.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
MADITABA JOYCE	MATSOETLANE	9,836.82	9,108.36	8,535.57	8,154.56	7,541.91	6,745.61	5,473.55	4,206.18	3,150.89	2,032.60	1,148.63	10,066.38
MANEHENG MAGDELINA	TSOMELA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00
MASESE EVA	MOILWA	299.99	399.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.19
MATEKANE JOHANNES	NKOE	43,165.15	43,415.11	39,521.07	39,592.00	39,922.62	40,244.89	41,213.36	46,682.37	47,811.59	47,831.34	48,557.48	43,023.19
MOKHADU JOHANNES	LEPHOI	155.69	192.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.41
MOLAHLEHI BARNARD	MONONYANE	35,292.09	35,939.71	26,562.97	27,412.78	28,503.02	29,688.24	30,436.21	31,205.41	31,720.30	32,410.43	33,189.90	34,645.16
MONGEZI SHADRACK	MPEQEKA	30,849.31	29,188.28	29,555.20	29,870.99	30,324.53	30,269.26	30,253.31	30,175.86	30,146.63	30,094.03	30,062.18	32,521.70
MOTSHABI DAVID	HLUJANE	227.29	286.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	206.48
MXOLISI ASHFORD	SIYONZANA	12.48	24.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SEPHETHO SOLOMON	NDAMANE	1,788.21	59.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,572.59
THABO MOSES	MANYONI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	763.24	0.00
THANDIWE ALINAH	JACOBS	136.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.32
THEMBANI STEPHEN	LALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	431.64
TSEKO SAMUEL	MPAKATHE	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TSHOKOLO JULIAS	NAILE	3.78	3.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VERNON WILLIAM	WARD	14,752.62	15,738.96	10,452.33	8,775.85	7,021.49	1,892.49	2,106.08	2,263.78	2,453.44	2,618.43	9,712.91	13,501.68
ZOLILE EMMANUEL	MANGCOTYWA	203.54	311.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	96.01
GRAND TOTAL		**260,613.75**	**257,062.64**	**236,304.75**	**233,155.02**	**232,031.32**	**228,260.38**	**230,589.83**	**229,203.09**	**231,780.46**	**233,295.19**	**243,409.60**	**262,445.56**

Councillors' arrear consumer accounts (Owed to Centlec (SOC) Ltd)
For the year ended 30 June 2014

2014	Outstanding less than 90 Days	Outstanding more than 90 Days	Total
J Nothnagel	-	1,357	1,357
E Snyman van Deventer	-	3	3
MB Monanyane	5,524	64,684	70,208
DX Pongolo	10	387	397
LA Masoetsa	3,966	-	3,966
MA Siyonzana	7,394	2,634	10,028
ED Mashoane	1,941	76,113	78,054
CSK Sechoaro	3,164	3,664	6,828
TM Manyoni	4,092	-	4,092
BJ Viviers	2,214	-	2,214
Total	**28,305**	**148,842**	**177,147**

2013	Outstanding less than 90 Days	Outstanding more than 90 Days	Total
J Nothnagel	23,505	80,445	103,950
JD Powell	411	-	411
E Snyman van Deventer	9	439	448
MB Monanyane	9,391	54,054	63,445
DX Pongolo	7	357	364
LA Masoetsa	-	5,289	5,289
MA Siyonzana	3,136	4,220	7,356
ED Mashoane	1,383	70,532	71,915
CSK Sechoaro	-	1,399	1,399
BNV Madela	844	470	1,314
NM Zophe	538	4,329	4,867
JC Pretorius	-	2,343	2,343
KS Sechoaro	300	90	390
Total	**39,524**	**223,967**	**263,491**

* Councillor resigned during the year.

The above is individual councillors arrear accounts which were outstanding for more than 90 days at the end of each respective month in terms of the MFMA sec. 124 (1) (b)

Mangaung Metropolitan Municipality
Annual Financial Statements
for the year ended 30 June, 2014

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
Executive Mayor	T M Manyoni
Deputy Executive Mayor	C L M Rampai
Speaker	M A Siyonzana
Chief Whip	Z E Mangcotywa
Mayoral Committee Members	L A Masoetsa M J Matsoelane M A Moeng X D Pongolo N G Mokotjo S A Monnakgori K N Rabela D M Sekakanyo M M Tsomela
Grading of the local authority	Metropolitan
Accounting Officer	S Mazibuko
Chief Financial Officer (CFO)	M E Mohlahlo
Registered office and business address	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
Auditors	The Auditor-General of South Africa
Enabling legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 2 of 2013)

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The reports and statements set out below comprise the annual financial statements presented to the Council and the Provincial Legislature:

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Abbreviations

1. Abbreviations used within the financial statements

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standard
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
VAR	Variance
BAL	Balance
ACT	Actual

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, and has signed on behalf of the Municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 42 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2015 and in the light of this review and the current financial position, she is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the entity, she is supported by the entity's external auditors to express an independent opinion on the fair presentation of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors.

The annual financial statements set out on pages 6 to 108, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2014:

Member
Mazibuko S
Accounting Officer

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 875,861,659 (2013: surplus R 364,483,650).

2. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,257,262,484 and that the entity's total liabilities exceed its assets by R 11,126,985,912.

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

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 10 of 2014).

3. Subsequent events

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R 104,522,917.

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off.

The accounting officer is not aware of any additional matters or circumstances arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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

6. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name:	S Mazibuko
Nationality:	South African

Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	14	175,113,814	129,166,795
Current portion of Centlec Receivables	12	275,182,415	12,766,872
Other receivables from exchange transactions	13	28,668,257	51,484,299
Consumer receivables from exchange transactions	15	381,541,779	301,335,223
Consumer receivables from non-exchange transactions	16	347,938,313	114,032,235
Cash and cash equivalents	17	132,390,525	257,366,261
		1,340,835,103	**866,151,685**
Non-Current Assets			
Investment property	4	2,267,368,863	2,222,377,240
Property, plant and equipment	5	8,115,927,831	7,476,828,732
Intangible assets	6	10,500,013	9,170,500
Heritage assets	7	321,656,342	329,270,803
Investments in controlled entities	8	100	100
Non-current receivables	10	201,993	511,122
Centlec Receivables	12	2,452,122,567	2,465,987,668
		13,167,777,709	**12,504,146,165**
Non-current assets held for sale and assets of disposal groups	18	7,560,000	7,560,000
Total Assets		**14,516,172,812**	**13,377,857,850**
Liabilities			
Current Liabilities			
Centlec Payables	9	895,938,230	956,074,556
Current portion of finance lease obligation	22	87,292,880	2,477,556
Current portion of borrowings	24	8,586,358	9,548,466
Current portion of provisions	25	124,418,952	121,053,518
Payables from exchange transactions	28	628,791,175	463,684,488
Payables from non-exchange transactions	27	148,162,111	165,305,816
Consumer deposits	29	28,529,176	27,676,875
Unspent conditional grants and receipts	23	122,489,296	193,237,711
VAT payable	30	43,142,725	74,215,665
		2,087,350,903	**2,013,274,651**
Non-Current Liabilities			
Defined benefit obligation	11	557,216,000	452,964,000
Finance lease obligation	22	55,917,906	4,678,339
Borrowings	24	183,277,108	169,537,183
Provisions	25	322,451,697	313,109,917
Freshco Liability	26	182,973,286	178,377,360
		1,301,835,997	**1,118,666,799**
Total Liabilities		**3,389,186,900**	**3,131,941,450**
Net Assets		**11,126,985,912**	**10,245,916,400**
Reserves			
Revaluation reserve	19	783,579,162	790,800,654
Self-Insurance reserve	20	77,209,573	77,484,513
COID reserve	21	8,934,693	11,457,126
Accumulated Surplus		10,257,262,484	9,366,174,107
Total Net Assets		**11,126,985,912**	**10,245,916,400**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	34	935,491,481	718,169,818
Rental of facilities and equipment	35	20,415,882	17,707,283
Interest received	36	420,889,744	370,144,085
Income from agency services	37	100,666,986	106,046,017
Licences and permits		433,435	431,226
Other income	39	55,236,462	102,828,475
Total revenue from exchange transactions		**1,533,133,990**	**1,315,326,904**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	969,482,446	514,177,402
Transfer revenue			
Government grants & subsidies	38	1,722,782,784	1,296,186,619
Fines		77,361,862	3,828,695
Total revenue from non-exchange transactions		**2,769,627,092**	**1,814,192,716**
Total revenue	32	**4,302,761,082**	**3,129,519,620**
Expenditure			
Employee related costs	41	(1,029,344,532)	(920,307,503)
Remuneration of councillors	42	(47,106,731)	(43,610,235)
Depreciation and amortisation	43	(292,481,839)	(258,468,908)
Bad debts and provision for bad debts	44	(569,684,182)	(312,535,096)
Finance costs	49	(145,596,732)	(124,115,692)
Repairs and maintenance		(203,199,665)	(124,179,726)
Bulk purchases	45	(382,809,314)	(336,562,227)
Contracted services	46	(182,965,346)	(169,697,308)
Grants and subsidies paid	47	(100,271,760)	(38,954,845)
General Expenses	40	(431,935,145)	(304,554,982)
Total expenditure		**(3,385,395,246)**	**(2,632,986,522)**
Operating surplus		**917,365,836**	**496,533,098**
Loss on disposal of assets		(27,476,746)	(35,657,705)
Gain on fair value adjustments on assets		41,322,260	(23,418,387)
Fair value adjustments	48	(56,770,967)	(74,337,266)
Gain on disposal of non-current assets		1,421,276	1,363,910
		(41,504,177)	**(132,049,448)**
Surplus for the year		**875,861,659**	**364,483,650**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self-Insurance reserve	COID reserve	Total reserves	Accumulated Surplus	Total net assets
Opening balance as previously reported	501,277,217	77,595,746	11,764,522	590,637,485	8,803,634,566	9,394,272,051
Adjustments						
Prior year adjustments*	57,247,850	-	-	57,247,850	182,531,131	239,778,981
Balance at 01 July 2012 as restated*	**558,525,067**	**77,595,746**	**11,764,522**	**647,885,335**	**8,986,165,697**	**9,634,051,032**
Changes in net assets						
Surplus for the year	-	-	-	-	364,483,650	364,483,650
Realisation of Revaluation reserve	(15,106,131)	-	-	(15,106,131)	15,106,131	-
Revaluation of Assets	247,381,718	-	-	247,381,718	-	247,381,718
Insurance claims processed	-	(111,233)	(3,130,828)	(3,242,061)	3,242,061	-
Contributions received	-	-	2,823,432	2,823,432	(2,823,432)	-
Total changes	232,275,587	(111,233)	(307,396)	231,856,958	380,008,410	611,865,368
Opening balance as previously reported	659,401,939	77,484,513	11,457,126	748,343,578	9,230,427,061	9,978,770,639
Adjustments						
Prior year adjustments*	131,398,715	-	-	131,398,715	135,747,047	267,145,762
Balance at 01 July 2013 as restated*	**790,800,654**	**77,484,513**	**11,457,126**	**879,742,293**	**9,366,174,108**	**10,245,916,401**
Changes in net assets						
Surplus for the year	-	-	-	-	875,861,659	875,861,659
Revaluation of Assets	5,207,852	-	-	5,207,852	-	5,207,852
Insurance claims processed	-	(274,940)	(5,515,379)	(5,790,319)	5,790,319	-
Contributions Received	-	-	2,992,946	2,992,946	(2,992,946)	-
Realisation of Revaluation Reserve	(12,429,344)	-	-	(12,429,344)	12,429,344	-
Total changes	(7,221,492)	(274,940)	(2,522,433)	(10,018,865)	891,088,376	881,069,511
Balance at 30 June 2014	**783,579,162**	**77,209,573**	**8,934,693**	**869,723,428**	**10,257,262,484**	**11,126,985,912**
Note(s)	19	20	21			

* Refer to Note 54 for items restated due to prior period errors

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,191,366,826	957,874,439
Grants		1,551,762,609	1,240,303,575
Interest income		149,147,828	126,850,288
		2,892,277,263	2,325,028,302
Payments			
Employee costs		(1,028,976,263)	(929,404,738)
Suppliers		(1,076,728,573)	(509,097,243)
Finance costs		(116,260,720)	(114,355,857)
		(2,221,965,556)	(1,552,857,838)
Net cash flows from operating activities	50	**670,311,707**	**772,170,464**
Cash flows from investing activities			
Purchase of property, plant and equipment		(940,880,026)	(900,441,187)
Purchase of investment property		(1,199,363)	-
Purchase if intangible assets		(1,653,581)	(1,938,536)
Purchase of heritage assets		-	(14,493,614)
Movement in Other Non-current Receivables		309,129	11,102,557
Finance income		271,741,917	243,293,798
Net movement in Centlec (SOC) Limited receivables		(248,550,442)	(217,598,118)
Net cash flows from investing activities		**(920,232,366)**	**(880,075,100)**
Cash flows from financing activities			
Proceeds from borrowings		12,777,817	116,998,455
Movement in FRESHCO liability		4,595,926	76,592,482
Proceeds from consumer deposits		852,301	774,949
Finance lease payments		136,054,891	1,687,995
Finance costs		(29,336,012)	(9,759,835)
Net cash flows from financing activities		**124,944,923**	**186,294,046**
Net increase/(decrease) in cash and cash equivalents		**(124,975,736)**	**78,389,410**
Cash and cash equivalents at the beginning of the year		257,366,261	178,976,851
Cash and cash equivalents at the end of the year	17	**132,390,525**	**257,366,261**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	568,524,212	182,242,613	**750,766,825**	969,482,446	**218,715,621**	A1, B1
Service charges	830,311,515	51,558,955	**881,870,470**	935,491,481	**53,621,011**	A2, B2
Investment revenue	33,221,020	-	**33,221,020**	35,014,625	**1,793,605**	
Transfers recognised - operational	654,372,000	53,023,082	**707,395,082**	691,093,953	**(16,301,129)**	A3, B3
Other own revenue	954,951,632	2,894,840	**957,846,472**	865,526,349	**(92,320,123)**	A4
Total Revenue (excluding capital transfers and contributions)	**3,041,380,379**	**289,719,490**	**3,331,099,869**	**3,496,608,854**	**165,508,985**	
Expenditure by type						
Employee costs	(1,074,893,747)	80,000	**(1,074,813,747)**	(1,004,394,288)	**70,419,459**	A5
Remuneration of councillors	(48,638,326)	-	**(48,638,326)**	(47,106,730)	**1,531,596**	A6
Debt impairment	(135,836,651)	-	**(135,836,651)**	(569,684,182)	**(433,847,531)**	A7
Depreciation & asset impairment	(295,106,619)	-	**(295,106,619)**	(292,481,839)	**2,624,780**	A8
Finance charges	(185,358,178)	(3,300,000)	**(188,658,178)**	(145,456,249)	**43,201,929**	A8
Materials and bulk purchases	(573,119,880)	(45,567,800)	**(618,687,680)**	(599,444,335)	**19,243,345**	A8, B4
Transfers and grants	(121,570,986)	(8,000,000)	**(129,570,986)**	(100,271,760)	**29,299,226**	A8, B5
Other expenditure	(653,471,187)	(74,756,567)	**(728,227,754)**	(650,801,216)	**77,426,538**	A8, B6
Total expenditure	**(3,087,995,574)**	**(131,544,367)**	**(3,219,539,941)**	**(3,409,640,599)**	**(190,100,658)**	
Surplus/(Deficit)	**(46,615,195)**	**158,175,123**	**111,559,928**	**86,968,255**	**(24,591,673)**	
Transfers recognised - capital	686,387,781	176,034,123	**862,421,904**	788,893,404	**(73,528,500)**	A3, B3
Surplus/(Deficit) after capital transfers & contribution	**639,772,586**	**334,209,246**	**973,981,832**	**875,861,659**	**(98,120,173)**	
Surplus/(Deficit) for the year	**639,772,586**	**334,209,246**	**973,981,832**	**875,861,659**	**(98,120,173)**	
Reconciliation						
Total Revenue Reconciliation						
Add: Fair value adjustments				56,770,967		R1
Subtract: Gain on disposal of assets				(1,421,276)		R1
Gain on Fair Value Adjustments				(41,322,260)		R1
Loss on disposal of assets				2,953,400		R1
Add: Interdepartmental charges				277,994		R1
Total Expenses Reconciliation						
Subtract: Fair value adjustments				(56,770,967)		R1
Add: Gain on disposal of assets				1,421,276		R1
Gain on Fair Value Adjustments				41,322,260		R1
Loss on disposal of assets				(2,953,400)		R1
Subtract Interdepartmental charges				(277,994)		R1
Actual Amount in the Statement of Financial Performance				**875,861,659**		

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Statement of Financial Position						
Assets						
Current Assets						
Cash	22,982,000	51,560,000	**74,542,000**	33,069,220	**(41,472,780)**	A9, B8
Call investment deposits	576,126,876	(307,168,347)	**268,958,529**	99,321,305	**(169,637,224)**	A9, B8
Consumer debtors	456,159,004	129,403,595	**585,562,599**	729,480,092	**143,917,493**	A9, B8
Other debtors	145,212,000	(35,179,765)	**110,032,235**	28,668,257	**(81,363,978)**	A9, B8
Current portion of long-term receivables	18,013,000	(5,246,000)	**12,767,000**	275,182,415	**262,415,415**	A9, B8
Inventory	3,286,741	129,371,786	**132,658,527**	175,113,814	**42,455,287**	A9, B8
	1,221,779,621	**(37,258,731)**	**1,184,520,890**	**1,340,835,103**	**156,314,213**	
Non-Current Assets						
Centlec Receivables	1,436,299,371	1,175,155,077	**2,611,454,448**	2,452,122,567	**(159,331,881)**	A9, B8
Investments	25,000	(25,000)	**-**	100	**100**	
Investment property	1,344,209,000	(323,728,960)	**1,020,480,040**	2,267,368,863	**1,246,888,823**	A9, B8
Long term receivables	2,486,000	(2,486,000)	**-**	-	**-**	
Property, plant and equipment	6,516,082,873	2,422,753,564	**8,938,836,437**	8,115,927,831	**(822,908,606)**	A9, B8
Heritage assets	-	-	**-**	321,656,342	**321,656,342**	A9
Non-current assets held for sale	-	-	**-**	7,560,000	**7,560,000**	A9
Intangible	13,667,000	(4,770,207)	**8,896,793**	10,500,013	**1,603,220**	A9, B8
Other non-current assets	-	307,916,803	**307,916,803**	201,993	**(307,714,810)**	A9, B8
	9,312,769,244	**3,574,815,277**	**12,887,584,521**	**13,175,337,709**	**287,753,188**	
Total Assets	**10,534,548,865**	**3,537,556,546**	**14,072,105,411**	**14,516,172,812**	**444,067,401**	
Liabilities						
Current Liabilities						
Current portion of Centlec Payables	158,626,350	915,789,349	**1,074,415,699**	895,938,230	**(178,477,469)**	A9, B8
Borrowings	4,622,000	9,067,555	**13,689,555**	8,586,358	**(5,103,197)**	A9, B8
Consumer deposits	54,380,267	(25,703,392)	**28,676,875**	28,529,176	**(147,699)**	B8
Trade and other payables	546,252,379	192,132,507	**738,384,886**	1,029,878,187	**291,493,301**	A9, B8
Provisions	-	139,643,000	**139,643,000**	124,418,952	**(15,224,048)**	A9, B8
	763,880,996	**1,230,929,019**	**1,994,810,015**	**2,087,350,903**	**92,540,888**	
Non-Current Liabilities						
Borrowings	249,593,000	(38,449,101)	**211,143,899**	183,277,108	**(27,866,791)**	A9, B8
Provisions	658,344,000	304,697,003	**963,041,003**	1,118,558,889	**155,517,886**	A9, B8
	907,937,000	**266,247,902**	**1,174,184,902**	**1,301,835,997**	**127,651,095**	
Total Liabilities	**1,671,817,996**	**1,497,176,921**	**3,168,994,917**	**3,389,186,900**	**220,191,983**	
Net Assets	**8,862,730,869**	**2,040,379,625**	**10,903,110,494**	**11,126,985,912**	**223,875,418**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	6,144,291,869	4,010,475,047	**10,154,766,916**	10,257,262,484	**102,495,568**	A9, B8
Reserves	2,718,439,000	(1,970,095,422)	**748,343,578**	869,723,428	**121,379,850**	A9, B8
Total community wealth/equity	**8,862,730,869**	**2,040,379,625**	**10,903,110,494**	**11,126,985,912**	**223,875,418**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	2,011,311,578	21,011,386	**2,032,322,964**	1,191,366,827	**(840,956,137)**	A9, B9
Grants and subsidies	1,238,759,781	92,719,592	**1,331,479,373**	1,551,762,609	**220,283,236**	A9, B9
Interest	148,821,870	-	**148,821,870**	149,147,828	**325,958**	A9,
	3,398,893,229	**113,730,978**	**3,512,624,207**	**2,892,277,264**	**(620,346,943)**	
Payments						
Suppliers and employees	(2,655,902,962)	(151,438,134)	**(2,807,341,096)**	(2,105,704,836)	**701,636,260**	A9, B9
Finance charges	49,009,049	(3,300,000)	**45,709,049**	(116,260,720)	**(161,969,769)**	A9, B9
Transfers and Grants	(121,888,986)	(8,000,000)	**(129,888,986)**	-	**129,888,986**	A9, B9
	(2,728,782,899)	**(162,738,134)**	**(2,891,521,033)**	**(2,221,965,556)**	**669,555,477**	
Net cash flows from operating activities	**670,110,330**	**(49,007,156)**	**621,103,174**	**670,311,708**	**49,208,534**	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	(899,100)	-	**(899,100)**	-	**899,100**	A9
Decrease (increase) other non-current	55,000,000	-	**55,000,000**	(248,241,313)	**(303,241,313)**	A9
Finance cost	-	-	**-**	271,741,916	**271,741,916**	
	54,100,900	**-**	**54,100,900**	**23,500,603**	**(30,600,297)**	
Payments						
Capital assets	(536,202,602)	(248,246,552)	**(784,449,154)**	(943,732,971)	**(159,283,817)**	A9, B9
Net cash flows from investing activities	**(482,101,702)**	**(248,246,552)**	**(730,348,254)**	**(920,232,368)**	**(189,884,114)**	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	40,393,583	4,500,000	**44,893,583**	-	**(44,893,583)**	A9, B9
Increase (decrease) in consumer depo	6,000,000	-	**6,000,000**	852,301	**(5,147,699)**	A9
	46,393,583	**4,500,000**	**50,893,583**	**852,301**	**(50,041,282)**	
Payments						
Movement of borrowing	(35,000,000)	-	**(35,000,000)**	124,092,622	**159,092,622**	A9
Net cash flows from financing activities	**11,393,583**	**4,500,000**	**15,893,583**	**124,944,923**	**109,051,340**	
Net increase/(decrease) in cash held	199,402,211	(292,753,708)	**(93,351,497)**	(124,975,737)	**(31,624,240)**	A9, B9
Cash/cash equivalents at the beginning	579,192,956	(142,341,080)	**436,851,876**	257,366,261	**(179,485,615)**	A9, B9
Cash and cash equivalents at the end of the year	**778,595,167**	**(435,094,788)**	**343,500,379**	**132,390,524**	**(211,109,855)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and other receivables

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

Where the impairment for trade receivables and loans and other receivables is calculated on a portfolio basis which are based on historical loss ratios. These annual loss ratios are applied to loan balances in the portfolio. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance for slow moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

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

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

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

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy note 1.4 Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

1.3 Investment property

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

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

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

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition:

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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.

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity by registered valuators for every class separately.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

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

Land is not depreciated, except for landfill and quarry sites, as it has an indefinite useful life.

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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	30-53
Other vehicles	3-55
Fire arms	5-40
Environmental facilities	15
Community / Recreational facilities	6-100
Roads and Stormwater	5-100
Finance leases - Equipment	3-5
Specialised plant and equipment	3-55
Security	8-12
Sewerage and mains	40-100
Water and sewerage network	7-100
Quarries	20-30
Landfill sites	20-69
Housing	50

1.4 Property, plant and equipment (continued)

Other assets	3-35

The residual value, the useful life and depreciation method of each asset are reviewed annually, at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Derecognition:

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

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

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue from exchange transactions. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Commitments:

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 51. The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.6 Intangible assets

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that the asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Useful life
Computer software, other	3 - 30 years

Intangible assets are derecognised:

- on disposal (including disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.7 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The heritage assets of the entity shall not be depreciated but will be assessed at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The entity derecognises the carrying amount of heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

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

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

1.9 Financial instruments

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.9 Financial instruments (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

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

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets 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 the collective assessment of impairment.
For collective assessment of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:
- Significant financial difficulty experienced by the borrower/debtor;

1.9 Financial instruments (continued)

- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
    - * the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
    - * National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group).
- Is the account in arrears for a period longer than the initial estimated repayment period
- Accounts with arrears of over 90 days showing no repayments in the last financial year
- accounts handed over for collection
- any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (example: an increased number of late payments)
- a breach in contract, such as a default in interest or capital payments

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment. The information which management will utilize should adequately reflect the current status, relating to the collectability of the receivables.

Refer to notes 13, 15, and 16 for the impact of the above application.

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account, whichever is appropriate. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Accounting Policies

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.10 Advance Receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 27 Payables from non-exchange transactions where these receipts in advance are disclosed.

1.11 Tax

VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

1.13 Inventories

The entity recognises inventories as an asset when,
(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.14 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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.

Non-current assets held for sale (or disposal group) are measured at the lower of its 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.

1.15 Impairment of cash-generating assets

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

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

Depreciation/amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

All assets of the entity are accounted for as non cash-generating assets.

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation/amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

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

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

Short-term employee benefits

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

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

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

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

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

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits

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

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

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Actuarial assumptions are included in the note of defined benefit obligation plan.

Other post retirement obligations

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

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

Accounting Policies

1.18 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

1.18 Provisions and contingencies (continued)

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

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

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

1.19 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue consists primarily of grants from National- and Provincial Government, services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity 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 obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Conditional grants and receipts

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

1.24 Internal reserves

Self-Insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Compensation for occupational injuries and diseases (COID) reserve

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

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

Accounting Policies

1.25 Revaluation reserve

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

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.26 Bonus pensionable service and medical boardings

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

1.27 Comparative figures

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

The comparative figures have been restated.

1.28 Offsetting

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

1.29 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Detailed disclosures are made in note 59 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.30 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 60 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.31 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

a) the MFMA, and which has not been condoned in terms of section 170;
b) the Municipal Systems Act, and which has not been condoned in terms of that act;
c) the Public Office-Bearers Act, 1998 (Act No.20 of 1998)
d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

Detailed disclosures are made in note 61 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

Accounting Policies

1.32 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements. GRAP 18 has not been considered in developing these policies.

1.33 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the financial statements are not prepared on the same classification basis. The approved budget covers the fiscal period from 01-Jul-13 to 30-Jun-14.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries or associates. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 67 to the annual financial statements.

1.34 Related parties

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.35 Events after the 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:
(a) those that provide evidence of conditions that existed at the reporting date (referred to as adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (referred to as non-adjusting events after the reporting date).

The entity adjusts the amounts recognised in the financial statements to reflect adjusting events after the reporting date.

The entity does not adjust the amounts recognised in the financial statements to reflect non-adjusting events after the reporting date.

Accounting Policies

1.36 Free State Social Housing Company arrangement

The entity grants the right to use the Brandwag Property (Brandwag Flats) to Free State Social Housing Company (FRESHCO).

FRESHCO is the entity that uses the Brandwag Property (Brandwag Flats) to provide public services subject to the entity's control of the asset.

The FRESHCO agreement is a binding arrangement between the entity and FRESHCO in which:
- FRESHCO uses the Brandwag Property (Brandwag Flats) to provide a public service on behalf of the entity for a specified period of time; and
- FRESHCO is compensated for its services over the period of the arrangement.

The Brandwag Property (Brandwag Flats) is an asset used to provide public services in an arrangement that
- Is provided by the entity which:
- Is an existing asset of the entity or
- Is an upgrade to an existing asset of the entity.
- Is provided by FRESHCO which:
- FRESHCO constructs, develops, or acquires from a third party or
- Is an existing asset of FRESHCO.

The entity shall recognize an asset provided by FRESHCO and an upgrade to an existing asset of the entity as a Brandwag Property (Brandwag Flats) if:
- The entity controls or regulates what services FRESHCO must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the Brandwag Property (Brandwag Flats) recognised at its fair value.

Brandwag Property (Brandwag Flats) shall subsequently be accounted for in accordance with GRAP 17 - Property, Plant, and Equipment.

Where the entity recognises a Brandwag Property (Brandwag Flats), the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the Brandwag Property (Brandwag Flats), adjusted by the amount of any other consideration (e.g. cash) from the entity to FRESHCO, or from FRESHCO to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to FRESHCO for the construction, development, acquisition, or upgrade of a Brandwag Property (Brandwag Flats), and grants FRESHCO the right to earn revenue from third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and FRESHCO.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the FRESHCO arrangement.

The entity shall account for revenues from the FRESHCO arrangement in accordance with GRAP 9 - Revenue from Exchange Transactions.

Figures in Rand	2014	2013

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- Fines
- Advance receipts from customers

Fines

During the year, the entity changed its accounting policy with respect to the treatment of fines, in order to conform with the benchmark treatment in GRAP 23. The change will ensure that the users of the financial statements have all relevant information available to enable them to make decisions and understand the financial statements completely.

Management do not have sufficient records relating to fines revenue to enable retrospective application of the standard. For this reason the change in accounting policy is applied prospectively.

Refer to note 1.20 for the accounting policy for fines.

Advance receipts from customers

During the year, the entity changed its accounting policy with respect to the treatment of advance receipts as this ensures that the users of the financial statements have all relevant information available to enable them to make decisions and understand the financial statements completely.

Refer to note 1.10 for the accounting policy on advance receipts from customers. The change in accounting policy is applied retrospectively.

The effect of the change on the statement of financial position is as follows:

Statement of financial position		
Decrease in payables from exchange transactions	-	159,104,070
Increase in payables from non-exchange transactions	-	(159,104,070)
	-	**-**

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April, 2013	The most significant impact of the standard relates to actuarial gains and losses related to the Defined benefit obligation. The entity will only recognize these gains and losses in full in the year that it arises.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements
• GRAP 7 (as revised 2012): Investments in Associates	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 12 (as revised 2012): Inventories	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 13 (as revised 2012): Leases	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 16 (as revised 2012): Investment Property	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• IGRAP16: Intangible assets website costs	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July, 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Not yet determined	It is unlikely that the standard will have a material impact on the annual financial statements. This is due to the fact that if consolidated financial statements is prepared, segment reporting only needs to be applied to the consolidated set of financial statements.
• GRAP 105: Transfers of functions between entities under common control	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 106: Transfers of functions between entities not under common control	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 107: Mergers	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 20: Related parties	Not yet determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration.
• GRAP32: Service Concession Arrangements: Grantor	Not yet determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. Further it is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP108: Statutory Receivables	Not yet determined	It is unlikely that the standard will have a material impact on the annual financial statements.

Figures in Rand	2014	2013

4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,267,368,863	-	2,267,368,863	2,222,377,240	-	2,222,377,240

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Fair value adjustments	Closing balance
Investment property	2,222,377,240	5,083,363	(1,414,000)	41,322,260	2,267,368,863

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Closing balance
Investment property	2,245,795,627	(23,418,387)	2,222,377,240

Pledged as security

None of the properties were pledged as security for any financial liability.

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

The investment properties were revalued with reference to the market values of the properties and the information at the deeds office.

The entity's investment properties were revalued at 30 June 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

There are no restrictions upon the realisation of the Investment Properties.

Due to the limitations of the financial system it was impractical to disclose the expenditure incurred relating to the Investment Property.

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,027,460,743	-	1,027,460,743	1,018,610,540	-	1,018,610,540
Buildings	1,205,494,227	(38,385,497)	1,167,108,730	1,177,833,904	(7,549,976)	1,170,283,928
Infrastructure	6,573,721,033	(1,500,813,119)	5,072,907,914	5,934,011,752	(1,297,156,287)	4,636,855,465
Community	1,020,942,824	(480,235,202)	540,707,622	928,669,319	(441,376,085)	487,293,234
Other property, plant and equipment	377,339,781	(69,596,959)	307,742,822	226,911,861	(63,126,296)	163,785,565
Total	**10,204,958,608**	**(2,089,030,777)**	**8,115,927,831**	**9,286,037,376**	**(1,809,208,644)**	**7,476,828,732**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Depreciation	Depreciation on disposals	Closing balance
Land	1,018,610,540	8,850,203	-	-	-	-	1,027,460,743
Buildings	1,170,283,928	64,845,570	-	(37,185,577)	(30,835,191)	-	1,167,108,730
Infrastructure	4,636,855,465	778,744,102	(42,059,117)	(96,975,704)	(218,099,829)	14,442,997	5,072,907,914
Community	487,293,234	135,228,898	(196,518)	(42,758,175)	(38,875,386)	15,569	540,707,622
Other property, plant and equipment	163,785,565	160,906,478	(10,478,558)	-	(9,998,144)	3,527,481	307,742,822
	7,476,828,732	**1,148,575,251**	**(52,734,193)**	**(176,919,456)**	**(297,808,550)**	**17,986,047**	**8,115,927,831**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Revaluations / Fair value adjustments	Depreciation	Depreciation - Disposals	Closing balance
Land	631,952,685	354,690,048	-	(121,000)	32,088,807	-	-	1,018,610,540
Buildings	977,149,606	95,089,272	-	34,334,797	71,260,229	(7,549,976)	-	1,170,283,928
Infrastructure	4,404,911,253	191,386,851	(61,832,930)	273,525,639	-	(197,980,207)	26,844,859	4,636,855,465
Community	479,963,309	64,889,457	(717,003)	(20,109,808)	-	(44,619,197)	7,886,476	487,293,234
Other property, plant and equipment	168,457,101	40,831,472	(36,912,286)	-	-	(14,912,329)	6,321,607	163,785,565
	6,662,433,954	**746,887,100**	**(99,462,219)**	**287,629,628**	**103,349,036**	**(265,061,709)**	**41,052,942**	**7,476,828,732**

Figures in Rand	2014	2013

5. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	136,801,508	-
Office equipment	4,678,339	7,799,474
	141,479,847	**7,799,474**

Revaluations

The effective date of the revaluations was 30 June, 2013. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The value of properties was determined based on the market values and the information obtained from the deed's office.
The valuation was performed after the following factors were taken into account:
- the useful lives and;
- the condition of the building.

There are no restrictions on the distribution of the revaluation surplus.

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	660,668,344	28,420,298	146,721,183	835,809,825
Additions/capital expenditure	660,845,972	74,013,062	25,826,965	760,685,999
Tranferred to additions/other assets	(96,975,704)	(42,758,175)	(82,478,807)	(222,212,686)
	1,224,538,612	**59,675,185**	**90,069,341**	**1,374,283,138**

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	387,142,704	14,399,638	101,784,878	503,327,220
Additions/capital expenditure	558,727,633	34,130,468	88,122,716	680,980,817
Tranferred to additions/other assets	(285,201,993)	(20,109,808)	(43,186,411)	(348,498,212)
	660,668,344	**28,420,298**	**146,721,183**	**835,809,825**

Refer to Appendix B for further details on the movements on PPE.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Figures in Rand	2014	2013

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13,325,064	(2,825,051)	10,500,013	11,671,483	(2,500,983)	9,170,500

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Closing balance
Computer software, other	9,170,500	1,653,581	(324,068)	10,500,013

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Closing balance
Computer software, other	7,551,050	1,938,536	(319,086)	9,170,500

Pledged as security

None of the intangible assets has been pledged as security for any financial liabilities.

Figures in Rand	2014	2013

7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,656,342	-	321,656,342	329,270,803	-	329,270,803

Reconciliation of heritage assets 2014

	Opening balance	Transfers	Revaluation increase/(decrease)	Closing balance
Heritage assets	329,270,803	(9,917,272)	2,302,811	321,656,342

Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers (WIP Additions)	Revaluation increase/(decrease)	Closing balance
Heritage assets	281,352,680	3,892,105	10,601,508	33,424,510	329,270,803

Restrictions on heritage assets

No restrictions are placed on any heritage assets.

Pledged as security

No heritage assets has been pledged as security for any financial liability.

Revaluations

Methods and assumptions used in determining fair value

The fair value of heritage assets were determined by an independent valuer as at 30 June 2014.

The fair value of the heritage assets were determined after considering the following conditions:
The condition of the asset
The useful life of the asset
The location of the asset.

There are no restrictions on the distribution of the balance of the revaluation reserve to owners of net assets.

There are no heritage assets used for more than one purpose.

8. Investments in controlled entities

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100.00 %	100.00 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses.

A company, Centlec (SOC) Limited, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

9. Centlec Payables

Centlec (SOC) Limited - Intercompany loan	(895,938,230)	(956,074,556)

The intercompany loan balance is the net balance payable/receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 8.5% (2013: 9%).

Figures in Rand	2014	2013

10. Non-current receivables

Designated at fair value		
2,535 Unlisted shares - OVK Limited	22,815	16,782
At amortised cost		
Vehicle loans	-	920,603
Study loans	-	48,509
Erven loans	9,169,917	9,261,872
Housing selling scheme loans	47,742,835	47,484,041
Cricket stadium	9,466,383	9,450,444
	66,379,135	67,165,469
Impairment - Vehicle loans	-	(900,472)
Impairment - Study loans	-	(48,506)
Impairment - Erven loans	(9,010,111)	(9,090,752)
Impairment - Housing selling scheme loans	(47,723,463)	(47,180,955)
Impairment - Cricket stadium	(9,466,383)	(9,450,444)
	179,178	**494,340**
Total other financial assets	**201,993**	**511,122**
Non-current assets		
Designated at fair value	22,815	16,782
At amortised cost	179,178	494,340
	201,993	**511,122**

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Class 1 - Unlisted shares	22,815	16,782

The shares were valued using quoted market prices.

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Class 1 - Unlisted shares	22,815	16,782

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Figures in Rand	2014	2013

10. Non-current receivables (continued)

Financial assets at amortised cost

Reconciliation of provision for impairment of financial assets at amortised cost

Impairment of vehicle loans		
Opening balance	900,471	956,114
Amounts written off as uncollectible	(900,471)	-
Unused amounts reversed	-	(55,643)
	-	**900,471**
Impairment of study loans		
Opening balance	48,500	48,503
Amounts written off as uncollectible	(48,500)	-
Unused amounts reversed	-	(3)
	-	**48,500**
Impairment of erven loans		
Opening balance	9,090,752	9,323,863
Unused amounts reversed	(80,641)	(233,111)
	9,010,111	**9,090,752**
Impairment of housing selling scheme loans		
Opening balance	47,180,954	45,179,178
Provision for impairment	542,508	2,001,776
	47,723,462	**47,180,954**
Impairment of cricket stadium		
Opening balance	9,450,444	-
Provision for impairment	15,939	9,450,444
	9,466,383	**9,450,444**

Details of financial assets at amortised cost:

Vehicle loans
Permanent staff obtained loans at 8.5% interest per annum repayable over a period of 3 to 6 years. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA. Other staff loans bear interest of prime plus 1% and are repayable over a period of 3 to 6 years.

Study loans
Staff members qualified for interest free study loans under the approved study scheme of the entity. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA.

Erven loans
Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

Housing selling scheme loans
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

Cricket stadium
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and are repayable on an annual basis over 27 years ending 1 July 2022.

Figures in Rand	2014	2013

11. Defined benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below are represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post retirement medical aid plan

Medical aid contributions for retired employees and pensioners who were in the service of the Council on or before 1 October 1981 are subsidised by the entity.

Pension benefits

Pension gratuities are payable to retired employees based on certain criteria to be met as defined in the Entity Conditions of Service policy.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	557,216,000	452,964,000

Figures in Rand	2014	2013

11. Defined benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	452,964,000	344,111,000
Interest costs	40,759,000	30,793,000
Current service cost	25,107,000	18,544,000
Benefits paid / (expected)	(18,391,000)	(14,824,000)
Actuarial (gain) / loss	56,777,000	74,340,000
	557,216,000	**452,964,000**

2011	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined Benefit obligation as at 30 June 2010	2,693,000	348,226,000	43,222,000	394,141,000
Interest costs	236,000	34,821,000	2,948,000	38,005,000
Current service costs	-	21,278,000	4,230,000	25,508,000
Benefits paid (expected)	(478,000)	(5,995,000)	(3,902,000)	(10,375,000)
Actuarial (gains)/losses	4,263,000	(14,372,000)	5,141,000	(4,968,000)
	6,714,000	**383,958,000**	**51,639,000**	**442,311,000**

2012	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined Benefit obligation as at 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest cost	555,000	35,100,000	4,744,000	40,399,000
Current service cost	61,000	14,242,000	4,518,000	18,821,000
Benefits paid (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (gains)/losses	(1,769,000)	(146,180,000)	4,591,000	(143,358,000)
	5,194,000	**280,551,000**	**58,366,000**	**344,111,000**

2013	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined benefit obligation as at 30 June 2012	5,194,000	280,551,000	58,366,000	344,111,000
Interest cost	407,000	25,797,000	4,589,000	30,793,000
Current service cost	47,000	12,922,000	5,575,000	18,544,000
Benefits paid (expected)	(452,000)	(6,912,000)	(7,460,000)	(14,824,000)
Actuarial (gains)/losses	797,000	60,044,000	13,499,000	74,340,000
	5,993,000	**372,402,000**	**74,569,000**	**452,964,000**

2014	**Pension fund**	**Medical aid**	**Long service award**	**Total**
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	74,569,000	452,964,000
Interest cost	453,000	34,729,000	5,577,000	40,759,000
Current service cost	43,000	17,517,000	7,547,000	25,107,000
Benefits paid (expected)	(381,000)	(7,566,000)	(10,444,000)	(18,391,000)
Actuarial (gains)/losses	(943,000)	54,590,000	3,130,000	56,777,000
	5,165,000	**471,672,000**	**80,379,000**	**557,216,000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - healthcare	9.60 %	9.20 %
Discount rates used - gratuity	8.55 %	7.85 %
Expected increase in healthcare costs	9.00 %	8.10 %
Medical cost trend rates	7.00 %	7.00 %
Expected increase in salaries	9.00 %	8.10 %
Expected pension increases	7.00 %	6.10 %
Inflation rate	7.00 %	6.10 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

Figures in Rand	2014	2013

11. Defined benefit obligations (continued)

Inflation sensitivities

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	1 % point increas	1 % point decreas
Effect on defined benefit obligation	(57,214,000)	(393,521,000)
Effect on the aggregate of the service cost	(28,542,000)	(17,517,000)
Effect on the aggregate of the interest cost	(55,903,000)	(38,227,000)

Amounts for the current and previous four years are as follows:

	2014	2013	2012	2011
	R	R	R	R
Defined benefit obligation	(557,216,000)	(452,964,000)	(344,111,000)	(442,310,000)
Experience adjustments on plan liabilities	(16,647,000)	(33,624,000)	(8,418,000)	25,607,000

12. Centlec Receivables

At amortised cost		
Centlec (SOC) Limited Advances	109,875,508	122,642,380
Centlec (SOC) Limited Shareholders Loan	2,617,429,474	2,356,112,160
	2,727,304,982	**2,478,754,540**

Centlec (SOC) Limited Advances:
The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during the past eight years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 8.5% (2013: 9%).

Centlec (SOC) Limited Shareholders Loan:
From 30 June 2010, the shareholders loan contract has been amended to determine interest as the lower of 15% of Centlec (SOC) Limited prior year's revenue or the interest rate used as on 30 June 2010 (i.e. 8.17%), adjusted for CPI as per the Public Finance Sector. The applicable rate for the previous year was 15% of Centlec (SOC) Limited prior year's revenue and in the current year 11.80% (2013: 10.94%) was applied on the outstanding loan balance. The loan is repayable from 2015 over a period of 21 years.

Non-current portion	2,452,122,567	2,465,987,668
Current portion	275,182,415	12,766,872
	2,727,304,982	**2,478,754,540**

13. Other receivables from exchange transactions

Deferred lease	(109,552)	-
Interest on investments	425,416	633,037
Staff leave days receivable	420,690	819,532
Sundry debtors	109,259,565	90,292,128
Sundry debtors - Impairment	(81,327,862)	(40,260,398)
	28,668,257	**51,484,299**

Other receivables pledged as security:

None of the receivables were pledged as security for any financial liability.

Credit quality of other receivables:

The credit quality of other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Other receivables past due but not impaired:

Other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R 7,137,027 (2013: R 5,818,897) were past due but not impaired.

Figures in Rand	2014	2013

13. Other receivables from exchange transactions (continued)

1 month past due	1,430,715	982,148
2 months past due	785,143	840,800
3 months past due	4,921,169	3,995,949
	7,137,027	**5,818,897**

Trade and other receivables impaired:

As of 30 June 2014, other receivables of R 81,327,862 (2013: R 40,260,398) were impaired and provided for.

The amount of the provision was R (81,327,862) as of 30 June 2014 (2013: (R 40,260,398)).

The ageing of these other receivables are as follows:

2 months	-	13,562
Over 3 months	81,327,862	40,246,836
	81,327,862	**40,260,398**

Reconciliation of provision for impairment of other receivables:

Opening balance	40,260,398	36,937,970
Impairment for the year	73,758,455	3,328,617
Amounts written off as uncollectible	(32,690,991)	(6,189)
	81,327,862	**40,260,398**

Sundry receivables consist out of debtors raised from other income recognised (refer to note 39).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the other receivables from exchange transactions.

14. Inventories

Consumable stores	6,372,611	4,744,071
Maintenance materials	220,396	1,745,589
Unsold Properties Held for Resale	165,641,657	120,210,657
Fuel (Diesel, Petrol)	1,189,407	1,146,007
Water in reservoirs	1,319,289	986,694
Water in pipes	370,454	333,777
	175,113,814	**129,166,795**

Inventory recognised as an expense		
Inventory expenses	6,645,911	5,552,831
Inventory written off	668,198	(37,450)
	7,314,109	**5,515,381**

No inventory was pledged as security for any financial liability.

Figures in Rand	2014	2013

15. Consumer receivables from exchange transactions

Water	263,159,951	231,426,817
Sewerage	78,864,424	54,486,480
Refuse	38,103,112	14,051,733
Housing debtors	1,194,040	1,149,941
Unallocated deposits	220,252	220,252
	381,541,779	**301,335,223**

Nett balance reconciliation
2014

	Gross balance	Impairment	Nett balance
Water	1,046,777,385	(783,617,434)	263,159,951
Sewerage	237,384,326	(158,519,902)	78,864,424
Refuse	101,036,663	(62,933,551)	38,103,112
Housing rental	5,029,281	(3,835,241)	1,194,040
Unallocated deposits	220,252	-	220,252
	1,390,447,907	**(1,008,906,128)**	**381,541,779**

Nett balance reconciliation
2013

	Gross balance	Impairment	Nett balance
Water	914,996,379	(683,568,562)	231,427,817
Sewerage	212,899,293	(158,412,813)	54,486,480
Refuse	26,588,014	(12,536,282)	14,051,732
Housing rental	24,536,812	(23,386,871)	1,149,941
Unallocated deposits	220,252	-	220,252
	1,179,240,750	**(877,904,528)**	**301,336,222**

Ageing of Receivables from exchange transactions

Water		
Current (0 - 30 Days)	115,054,219	67,316,464
31-60 Days	46,081,329	47,592,255
61-90 Days	37,099,403	41,090,338
91+ Days	827,231,667	744,836,571
Meter reading estimate	21,310,767	14,159,751
	1,046,777,385	**914,995,379**
Sewerage		
Current (0 - 30 Days)	31,163,474	14,099,848
31-60 Days	10,801,230	7,675,062
61-90 Days	9,675,179	6,275,852
91+ Days	185,744,443	184,848,531
	237,384,326	**212,899,293**
Refuse		
Current (0 - 30 Days)	18,273,244	5,172,153
31-60 Days	7,442,723	2,846,379
61-90 Days	7,094,731	2,429,250
91+ Days	68,225,965	16,140,232
	101,036,663	**26,588,014**
Housing rental		
Current (0 - 30 Days)	453,794	315,270
31-60 Days	227,946	308,616
61-90 Days	216,666	303,882
91+ Days	4,130,875	23,609,044
	5,029,281	**24,536,812**

Figures in Rand	2014	2013

15. Consumer receivables from exchange transactions (continued)

Summary by customer classification

Residential and sundry		
Current (0 - 30 Days)	108,712,660	56,140,292
31-60 Days	43,806,131	45,766,699
61-90 Days	40,593,363	37,660,252
91+ Days	932,844,435	840,780,594
Min: Impairment	(940,832,193)	(800,866,545)
	185,124,396	**179,481,292**
Business / Commercial		
Current (0 - 30 Days)	30,509,453	21,029,033
31-60 Days	8,780,761	8,908,667
61-90 Days	5,119,378	9,354,633
91+ Days	85,707,645	78,741,673
Min: Impairment	(68,073,935)	(77,037,983)
	62,043,302	**40,996,023**
Government		
Current (0 - 30 Days)	25,722,616	9,734,410
31-60 Days	11,966,337	3,746,946
61-90 Days	8,373,238	3,084,437
91+ Days	66,780,871	49,912,111
	112,843,062	**66,477,904**

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 268,876,722 (2013: R 260,484,455) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	67,248,540	59,404,460
2 months past due	64,545,076	50,404,191
3 months past due	137,083,106	150,675,804

Consumer receivables from exchange transactions impaired

As of 30 June 2014, consumer receivables from exchange transactions of R 1,008,906,128 (2013: R 877,904,528) were impaired and provided for.

The ageing of these loans is as follows:

2 months	-	549,494
Over 2 months	1,008,906,128	877,355,034

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the Consumer receivables from exchange transactions.

Figures in Rand	2014	2013

15. Consumer receivables from exchange transactions (continued)

Reconciliation of provision for impairment of consumer receivables from exchange transactions

Opening balance	(877,904,528)	(697,525,133)
Provision for impairment	(199,901,873)	(249,942,808)
Amounts written off as uncollectible	68,900,273	69,563,413
	(1,008,906,128)	**(877,904,528)**

16. Consumer receivables from non-exchange transactions

Rates	347,938,313	114,032,235

Rates		
Rates - Gross balance	724,871,609	436,569,652
Rates - Impairment	(376,933,296)	(322,537,417)
	347,938,313	**114,032,235**

Rates Ageing		
Current (0 - 30 days)	127,677,910	37,382,051
31 - 60 days	46,322,075	16,938,188
61 - 90 days	44,133,183	13,818,663
91+ days	506,738,441	368,430,750
	724,871,609	**436,569,652**

Summary by Customer classification		
Residential and sundry		
Current (0 - 30 days)	44,322,257	17,359,485
31 - 60 days	14,811,507	7,729,446
61 - 90 days	13,662,739	6,408,897
91+ days	239,224,076	234,028,700
Subtotal	312,020,579	265,526,528
Less: Impairment	(234,862,394)	(226,337,816)
	77,158,185	**39,188,712**
Business / Commercial		
Current (0 - 30 days)	46,162,647	17,035,529
31 - 60 days	14,729,248	8,104,771
61 - 90 days	13,794,338	6,425,205
91+ days	161,275,910	115,591,637
Subtotal	235,962,143	147,157,142
Less: Impairment	(142,070,902)	(96,199,601)
	93,891,241	**50,957,541**
Government		
Current (0 - 30 days)	37,193,006	2,987,037
31 - 60 days	16,781,320	1,103,971
61 - 90 days	16,676,106	984,561
91+ days	106,238,455	18,810,413
	176,888,887	**23,885,982**

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The credit quality of consumer receivables were evaluated in terms of the risk group and ageing of the individual receivable account.

Figures in Rand	2014	2013

16. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 272,775,769 (2013: R 76,650,184) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	49,979,769	16,938,188
2 months past due	46,323,102	13,802,958
3 months past due	176,432,898	45,909,038

Consumer receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 376,933,296 (2013: R 322,537,417) were impaired and provided for.

The amount of the provision was R 376,933,296 as of 30 June 2014 (2013: R 322,537,417).

The ageing of these loans is as follows:

2 months	-	15,705
Over 2 months	376,933,296	322,521,712

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	322,537,417	272,433,076
Provision for impairment	300,509,868	56,224,889
Amounts written off as uncollectible	(246,113,989)	(6,120,548)
	376,933,296	**322,537,417**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from non-exchange transactions.

17. Cash and cash equivalents

Cash and cash equivalents consists of:

Cash on hand	115,849	105,949
Bank balances	32,953,371	53,197,828
Short-term deposits	99,321,305	204,062,484
	132,390,525	**257,366,261**

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.
The total overdraft facility available to the Mangaung Metropolitan Municipality is R 50,000,000 (2013: R 54,000,000).

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F1+	132,274,676	257,260,312

Figures in Rand		2014	2013

17. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	21	8,934,693	11,457,126

The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

The below bank accounts are held with ABSA.

	Bank statement balances			Cash book balances		
Account # & description	**30 June 2014**	**30 June 2013**	**30 June 2012**	**30 June 2014**	**30 June 2013**	**30 June 2012**
Primary - 470000465	27,491,702	46,586,845	42,086,668	30,910,107	48,690,127	44,408,05
Fresh Produce - 470001348	2,043,264	3,833,927	2,418,766	2,043,264	3,833,927	2,418,76
Direct deposits - 470001380	-	-	-	-	673,774	1,597,65
	29,534,966	**50,420,772**	**44,505,434**	**32,953,371**	**53,197,828**	**48,424,477**

Summary of Short-term deposits held

Short-term deposits held with ABSA	20,638,384	21,637,604
Short-term deposits held with FNB	7,933,807	106,822,989
Short-term deposits held with Nedbank	32,808,933	26,954,840
Short-term deposits held with Standard Bank	37,940,181	48,647,051
	99,321,305	**204,062,484**

18. Non-current assets held for sale and assets of disposal groups

Non-current assets held for sale		
Land	7,560,000	7,560,000

19. Revaluation reserve

Opening balance	790,800,654	558,525,067
Change during the year	2,302,810	247,381,718
Realisation of revaluation reserve	(9,524,302)	(15,106,131)
	783,579,162	**790,800,654**

There are no restrictions on the distribution of the revaluation surplus.
Comparative information has been restated due to correction of errors.

20. Self-Insurance Reserve

Opening balance	77,484,513	77,595,747
Insurance claims processed	(274,940)	(111,234)
	77,209,573	**77,484,513**

21. COID Reserve

Opening balance	11,457,126	11,764,522
Contributions	2,992,946	2,823,432
Insurance claims processed	(5,515,379)	(3,130,828)
	8,934,693	**11,457,126**

Figures in Rand	2014	2013

22. Finance lease obligation

Minimum lease payments due		
- within one year	66,194,344	4,322,863
- in second to fifth year inclusive	94,769,481	3,484,633
	160,963,825	7,807,496
less: future finance charges	(17,753,039)	(651,602)
Present value of minimum lease payments	**143,210,786**	**7,155,894**
Present value of minimum lease payments due		
- within one year	55,094,291	3,854,724
- in second to fifth year inclusive	88,116,495	3,301,170
	143,210,786	**7,155,894**
Non-current liabilities	55,917,906	4,678,339
Current liabilities	87,292,880	2,477,556
	143,210,786	**7,155,895**

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial grant - Upgrade housing in Batho	182,175	1,749,275
Provincial grant - Hlasela project - Batho car wash	-	60,000
Provincial Administration Grant Stadiums	219,006	6,638,800
DBSA - Capacity building programme grant	-	234,104
Municipal accreditation project funding - Housing grant	3,628,261	14,263
DWAF - Water conservation Grant	-	455,016
Local government and housing grant - Infrastructure Graslands area	3,965,043	3,965,043
Motheo - Contribution environmental health grant	9,346,371	9,813,076
Department of Water affairs - ACIP	-	6,000,000
Provincial grant - Upgrading roads in Batho	76,740	81,216
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Iphahamilseng centre	3,703	3,703
Provincial grant - Planning and surveying	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	-	135,964
Expanded Public Works Progressive Incentive Grant	138,463	4,061,307
Urban renewal grant	-	280,553
Urban settlement development grant	70,726,573	129,450,242
Public transport infrastructure and systems fund grant	597,471	23,661,544
City of Ghent	1,453,936	1,640,461
Sustainable Human Settlement Grant	27,158,410	-
	122,489,296	**193,237,711**

The amounts will be recognised as revenue when conditions have been met.

Refer to note 38 for further details of grant movements.

Figures in Rand	2014	2013

24. Borrowings

At amortised cost		
DBSA Bloemfontein - Sewer 8001/104	2,088,549	3,310,354
DBSA Bloemfontein - Water 8001/104	1,895,438	3,023,256
DBSA - FS1034/01	142,975,727	125,653,575
DBSA - FS1034/02	44,903,752	47,098,464
Total other financial liabilities	**191,863,466**	**179,085,649**

These loans are from The Development Bank of South Africa and repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 March 2026 and the loans bear interest between 6% and 14%.

The entity did not default on any of the other financial liabilities, whether it be on the capital or the interest portions, and none of the terms attached to the other financial liabilities were renegotiated.

Non-current liabilities		
At amortised cost	183,277,108	169,537,183
Current liabilities		
At amortised cost	8,586,358	9,548,466

Figures in Rand	2014	2013

25. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	161,296,421	110,413	161,406,834
Rehabilitation of quarry sites	272,867,014	12,596,801	285,463,815
	434,163,435	**12,707,214**	**446,870,649**

Reconciliation of provisions - 2013

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	151,658,047	9,638,374	161,296,421
Rehabilitation of quarry sites	263,714,236	9,152,778	272,867,014
	415,372,283	**18,791,152**	**434,163,435**

Non-current liabilities	322,451,697	313,109,917
Current liabilities	124,418,952	121,053,518
	446,870,649	**434,163,435**

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2014.

Landfill sites consists of:	**Restoration date**
Botshabelo Landfill Site	2060
Northern Landfill Site	2022
Southern Landfill Site	2035

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the expected rehabilitation cost in 2014.

Quarries consists of:		**Restoration date**
Bloemfontein	Cecelia	2018
	Sunnyside	2018
Botshabelo	K-Section	2014
	F1-Section	2014
	F2.1-Section	2014
	F2.2-Section	2014
	W-Section	2014
	S-Section	2014
	B-Section	2014
Thaba Nchu	Seroala	2014
	Thubisi	2014
	Putsane	2014
	Merino	2014
	Rhakoi	2014
	Sediba	2014
	Rooibult	2014
	Kgalala	2014

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Figures in Rand	2014	2013

26. Freshco Liability

Non-current liability	182,973,286	178,377,360

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commences from 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 35 – Rental of facilities and equipment .

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

27. Payables from non-exchange transactions

Deposits	499,837	458,123
Other payables	1,591,605	1,591,605
Payments received in advance	146,070,669	163,256,088
	148,162,111	**165,305,816**

Included in Payments Received in Advance for the current financial year is an amount of R 10,024,998 (2013: R 10,150,443) for unallocated deposits.

28. Payables from exchange transactions

Trade payables	424,766,647	285,357,108
Accrued leave pay	63,157,317	51,421,680
Accrued bonus	21,064,971	18,100,298
Retentions	70,735,089	56,248,193
Pending claims - Unfair dismissals	6,608,171	6,608,171
Other payables - Grants	36,324,765	28,532,327
Other payables	1,597,347	1,566,577
Deferred Lease Expenditure	4,533,217	4,525,692
Salaries Payable	3,651	11,324,442
	628,791,175	**463,684,488**

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 60 days (2013: 60 days).

The terms were not renegotiated before the financial statements were authorised for issue.

29. Consumer deposits

Water	28,529,176	27,676,875

Guarantees in lieu of consumer deposits amounted to R1,781,533 (2013: R 1,749,800)

30. VAT payable

VAT payable	43,142,725	74,215,665

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Disclosure in terms of the MFMA

Opening balance	74,215,665	75,075,114
VAT payable	22,574,692	22,289,510
VAT claimed not yet received	(53,647,632)	(23,148,959)
	43,142,725	**74,215,665**

Comparative information has been restated due to correction of prior period errors and omissions.

Figures in Rand	2014	2013

31. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	22,815	179,178	201,993
Other receivables from exchange transactions	-	28,668,257	28,668,257
Consumer receivables from exchange transactions	-	381,541,779	381,541,779
Centlec Receivables	-	2,727,304,982	2,727,304,982
Cash and cash equivalents	-	132,274,676	132,274,676
	22,815	**3,269,968,872**	**3,269,991,687**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	191,863,466	191,863,466
Trade and other payables from exchange transactions	-	628,791,170	628,791,170
Payables from non-exchange transactions	-	148,162,111	148,162,111
Consumer deposits	28,529,176	-	28,529,176
Centlec Payables	-	895,938,230	895,938,230
	28,529,176	**1,864,754,977**	**1,893,284,153**

2013

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	16,782	494,340	511,122
Other receivables from exchange transactions	-	51,484,299	51,484,299
Consumer receivables from exchange transactions	-	301,335,222	301,335,222
Centlec Receivables	-	2,478,754,540	2,478,754,540
Cash and cash equivalents	-	257,260,312	257,260,312
	16,782	**3,089,328,713**	**3,089,345,495**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	179,085,649	179,085,649
Trade and other payables from exchange transactions	-	463,684,488	463,684,488
Payables from non-exchange transactions	-	165,305,816	165,305,816
Consumer deposits	27,676,875	-	27,676,875
Centlec payables	-	956,074,556	956,074,556
	27,676,875	**1,764,150,509**	**1,791,827,384**

Figures in Rand	2014	2013

32. Revenue

Service charges	935,491,481	718,169,818
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	420,889,744	370,144,085
Income from agency services	100,666,986	106,046,017
Licences and permits	433,435	431,226
Other income	55,236,462	102,828,475
Property rates	969,482,446	514,177,402
Government grants & subsidies	1,722,782,784	1,296,186,619
Fines	77,361,862	3,828,695
	4,302,761,082	**3,129,519,620**

Revenue arising from exchange transactions are as follows:		
Service charges	935,491,481	718,169,818
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	420,889,744	370,144,085
Income from agency services	100,666,986	106,046,017
Licences and permits	433,435	431,226
Other income	55,236,462	102,828,475
	1,533,133,990	**1,315,326,904**

Revenue arising from non-exchange transactions are as follows:		
Taxation revenue		
Property rates	969,482,446	514,177,402
Transfer revenue		
Government grants & subsidies	1,722,782,784	1,296,186,619
Fines	77,361,862	3,828,695
	2,769,627,092	**1,814,192,716**

Figures in Rand	2014	2013

33. Property rates

Rates levied

Residential and business/commercial	723,435,501	447,213,026
Government	246,046,945	66,964,376
	969,482,446	**514,177,402**

Valuations

Residential	69,752,244,308	31,714,979,102
Commercial	20,935,681,736	8,093,269,534
Government	10,845,727,160	3,763,823,449
Municipal	4,369,644,135	3,077,508,175
	105,903,297,339	**46,649,580,260**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 70,000 of the rateable value of residential property are exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2014:
From 1 July 2013 the basic rates were adjusted as follows:

- R0.005457 on the value of rateable farm property
- R0.005457 on the value of rateable residential property
- R0.024836 on the value of rateable government property
- R0.024836 on the value of rateable business/commercial property

2013:
From 1 July 2012 the basic rates were adjusted as follows:

- R0.019490 on the value of rateable farm property
- R0.007796 on the value of rateable residential property
- R0.019490 on the value of rateable government property
- R0.038620 on the value of rateable business/commercial property

Figures in Rand	2014	2013

34. Service charges

Sale of water	612,264,311	514,366,577
Sewerage and sanitation charges	201,495,760	143,926,522
Refuse removal	121,731,410	59,876,719
	935,491,481	**718,169,818**

35. Rental of facilities and equipment

Premises	2,486,498	1,997,537
Facilities and equipment	17,929,384	15,709,746
	20,415,882	**17,707,283**

Rental of premises		
Premises	1,036,990	1,016,748
Venue hire	1,449,508	980,789
	2,486,498	**1,997,537**

Rental of facilities and equipment		
Rental of facilities	16,897,422	14,778,406
Rental of equipment	555,828	479,332
Other	476,134	452,008
	17,929,384	**15,709,746**

No contingent rent was due for the reporting period.

36. Interest received

Cash and cash equivalents	24,590,023	24,764,467
Interest charged on consumer receivables	123,170,362	100,685,019
Financial assets at amortised cost	1,387,443	1,400,802
Centlec (SOC) Limited - Shareholders loan	261,317,314	231,045,723
Centlec (SOC) Limited - Advances	10,424,602	12,248,074
	420,889,744	**370,144,085**

37. Income from agency services

Centlec (SOC) Limited - Employee related costs	100,666,986	106,046,017

Figures in Rand	2014	2013

38. Government grants and subsidies

Operating grants		
Equitable share	605,072,000	612,520,711
Provincial grant - Upgrading roads in Batho	4,476	5,606,853
Provincial grant - CCTV	-	1,858,068
Provincial grant - Batho car wash	60,000	90,000
Provincial grant - Re Ba Ikemetseng Bomme	-	100,000
Financial management grant	1,500,000	1,960,154
Municipal accreditation project funding - Housing grant	1,386,002	53,042
Fuel levy grant	243,022,000	237,704,000
CHAN 2014 National sport and recreation grant	28,500,000	-
National electrification program grant	42,000,000	25,000,000
City of Ghent - Youth Development	490,515	-
Department of Water Affairs	12,900,000	-
Electricity demand side management grant	8,000,000	-
DBSA - Capacity building programme grant	234,104	-
Provincial grant - Township establishment - Caleb Motshabi	135,964	-
Urban renewal grant	280,553	-
Motheo - Contribution environmental health grant	466,705	-
Provincial administration Grant Stadiums	6,419,794	-
	950,472,113	884,892,828
Capital grants		
DBSA - Environmental Impact Assessment Grant	-	916,000
Expanded Public Works Program Incentive Grant	7,818,844	1,852,693
DWAF - Water conservation grant	7,584,395	9,539,984
Public transport infrastructure and systems fund grant	27,056,073	11,338,239
Urban settlement development grant	655,442,669	386,261,084
Provincial grant - Du Plessis Muller intersection	-	554,640
Municipal systems improvement grant	-	831,151
Provincial grant - Upgrade housing in Batho	1,567,100	-
Sustainable Human Settlement Grant	72,841,590	-
	772,310,671	411,293,791
	1,722,782,784	**1,296,186,619**

Equitable Share

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

Current year receipts	605,072,000	612,520,711
Conditions met - transferred to revenue	(605,072,000)	(612,520,711)
	-	-

Provincial Grant - Upgrading housing Batho

Balance unspent at beginning of year	1,749,275	1,749,275
Conditions met - transferred to revenue	(1,567,100)	-
	182,175	**1,749,275**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.

Provincial grant - CCTV

Balance unspent at beginning of year	-	1,858,068
Conditions met - transferred to revenue	-	(1,858,068)
	-	-

This was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Naval Hill.

Figures in Rand	2014	2013

38. Government grants and subsidies (continued)

Provincial grant - Batho car wash

Balance unspent at beginning of year	60,000	150,000
Conditions met - transferred to revenue	(60,000)	(90,000)
	-	**60,000**

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.

Provincial Administration Grant Stadiums

Balance unspent at beginning of year	6,638,800	6,638,800
Conditions met - transferred to revenue	(6,419,794)	-
	219,006	**6,638,800**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.

DBSA - Capacity building programme grant

Balance unspent at beginning of year	234,104	234,104
Conditions met - transferred to revenue	(234,104)	-
	-	**234,104**

Conditions still to be met - remain liabilities (see note 23).

The grant was allocated to the entity to assist with capacity building.

Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	14,263	67,305
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(1,386,002)	(53,042)
	3,628,261	**14,263**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

DWAF - Water conservation Grant

Balance unspent at beginning of year	455,016	-
Current-year receipts	7,129,379	9,995,000
Conditions met - transferred to revenue	(7,584,395)	(9,539,984)
	-	**455,016**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment work at resource development.

Local government and housing grant - Infrastructure Grasslands area

Balance unspent at beginning of year	3,965,043	3,965,043

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated for housing infrastructure projects for the Grassland area.

Figures in Rand	2014	2013

38. Government grants and subsidies (continued)

Motheo - Contribution environmental health grant

Balance unspent at beginning of year	9,813,076	9,813,076
Conditions met - transferred to revenue	(466,705)	-
	9,346,371	**9,813,076**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

Department of Water Affairs

Balance unspent at beginning of year	6,000,000	-
Current-year receipts	6,900,000	6,000,000
Conditions met - transferred to revenue	(12,900,000)	-
	-	**6,000,000**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer theses schemes to local government.

Provincial grant - Upgrading roads in Batho

Balance unspent at beginning of year	81,216	5,688,069
Conditions met - transferred to revenue	(4,476)	(5,606,853)
	76,740	**81,216**

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.

Provincial grant - Grassland area

Balance unspent at beginning of year	4,500,000	4,500,000

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with housing infrastructure projects for the Grassland area.

Provincial grant - Hlasela project - Iphahamilseng centre

Balance unspent at beginning of year	3,703	3,703

Conditions still to be met - remain liabilities (see note 23).

The purpose of this grant is to assist the entity with the implementation of the project, for swings, computer internet services and adopting the Iphahamilseng centre for vulnerable children.

Provincial grant - Planning and surveying

Balance unspent at beginning of year	493,144	493,144

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.

Figures in Rand	2014	2013

38. Government grants and subsidies (continued)

Provincial grant - Township establishment - Caleb Motshabi

Balance unspent at beginning of year	135,964	135,964
Conditions met - transferred to revenue	(135,964)	-
	-	**135,964**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist the entity with the establishing of the township establishment Caleb Motshabi.

Expanded Public Works Progressive Incentive Grant

Balance unspent at beginning of year	4,061,307	5,914,000
Current-year receipts	3,896,000	-
Conditions met - transferred to revenue	(7,818,844)	(1,852,693)
	138,463	**4,061,307**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the Grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

Urban renewal grant

Balance unspent at beginning of year	280,553	280,553
Conditions met - transferred to revenue	(280,553)	-
	-	**280,553**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated for the development of erven.

Urban settlement development grant

Balance unspent at beginning of year	129,450,242	115,715,078
Current-year receipts	596,719,000	404,483,562
Conditions met - transferred to revenue	(649,743,506)	(386,261,084)
Conditions met - transferred to Centlec (SOC) Ltd Creditors	(5,699,163)	(4,487,314)
	70,726,573	**129,450,242**

Conditions still to be met - remain liabilities (see note 23).

The grant was allocated to the entity for People's Housing Process (PHP) housing infrastructure projects in Thaba Nchu.

Financial management grant

Balance unspent at beginning of year	-	472,277
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,960,154)
Surrendered to National Treasury	-	(12,123)
	-	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Figures in Rand	2014	2013

38. Government grants and subsidies (continued)

Public transport infrastructure and systems fund grant

Balance unspent at beginning of year	23,661,544	56,632,691
Current-year receipts	20,000,000	20,000,000
Conditions met - transferred to revenue	(27,056,073)	(11,338,239)
Surrendered to National Treasury	(16,008,000)	(41,632,908)
	597,471	**23,661,544**

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with the agreed project plans.

City of Ghent - Youth Development

Balance unspent at beginning of year	1,640,461	1,156,012
Current-year receipts	303,990	-
Conditions met - transferred to revenue	(490,515)	484,449
	1,453,936	**1,640,461**

Conditions still to be met - remain liabilities (see note 23).

The grant is given by the City of Ghent for youth development.

Sustainable Human Settlement Grant

Current-year receipts	100,000,000	-
Conditions met - transferred to revenue	(72,841,590)	-
	27,158,410	**-**

Conditions still to be met - remain liabilities (see note 23).

The grant is used to supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Municipal systems improvement grant

Balance unspent at beginning of year	-	831,151
Conditions met - transferred to revenue	-	(831,151)
	-	**-**

Conditions still to be met - remain liabilities (see note 23).

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.

Provincial grant - Du Plessis / Muller intersection

Balance unspent at beginning of year	-	554,640
Conditions met - transferred to revenue	-	(554,640)
	-	**-**

The purpose of the grant is to assist the entity with the Du Plessis / Muller intersection infrastructure project as part of the widening of Nelson Mandela Drive.

Figures in Rand	2014	2013

38. Government grants and subsidies (continued)

DBSA - Environmental impact assessment grant

Current-year receipts	-	916,000
Conditions met - transferred to revenue	-	(916,000)
	-	-

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

Fuel levy

Current-year receipts	243,022,000	237,704,000
Conditions met - transferred to revenue	(243,022,000)	(237,704,000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

National electrification programme

Current-year receipts	42,000,000	25,000,000
Conditions met - transferred to Centlec (SOC) Limited	(42,000,000)	(25,000,000)
	-	-

Provide explanations of conditions still to be met and other relevant information.

Provincial grant - Re Ba Ikemetseng Bomme

Balance unspent at beginning of year	-	100,000
Conditions met - transferred to revenue	-	(100,000)
	-	-

The purpose of this grant is to assist the entity with the implementation of the Re Ba Ikemetseng Bomme swing project.

Electricity Demand Side Management Grant

Current-year receipts	8,000,000	-
Conditions met - transferred to revenue	(8,000,000)	-
	-	-

The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

CHAN 2014 National sport and recreation grant

Current-year receipts	28,500,000	-
Conditions met - transferred to revenue	(28,500,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 23).

The grant is used to assist host cities with the operational responsibilities associated with the hosting of the 2014 African Nations Championship.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Figures in Rand	2014	2013

39. Other income

Building plan fees	3,902,727	3,168,844
Donations received	6,957,193	4,435,308
Commission fresh produce market	17,895,461	16,077,725
Entrance fees	1,168,959	1,206,501
Grave plots	1,955,162	2,073,300
Human settlement reimbursement	-	55,772,781
Insurance collection	1,799,047	1,700,668
Parking fees	1,190,412	734,962
Reconnection of water	1,065,024	452,228
Removal fees	1,116,086	991,051
Sale of redundant material	3,142,296	4,110
Training	2,760,347	2,782,199
Unclaimed deposits and stale cheques	868,780	666,762
Sundry income	11,414,968	12,762,036
	55,236,462	**102,828,475**

Donations 2014:

The National Heritage Council of South Africa donated R1,000,000 to the entity as a contribution towards the hosting of the Golden Shield Heritage Awards in the city on 20 September 2013.
Nine (9) land parcels in the Thaba Nchu region, to the value of R 6,080,000 were received as a donation from the Department of Rural Development and Land Reform. These properties have been included in Property, Plant and Equipment as disclosed in note 5 to the annual financial statements.

Donations 2013:

During the prior year, Mangaung Metro Municipality received the Nelson Mandela statue on Navil Hill as a donation to the value of R3 892 105. Donations of various animals have been received from the general public by the Zoo amounting to R 543 203. These items are included in Property, Plant and Equipment as disclosed in Note 5.

Figures in Rand	2014	2013

40. General expenses

Advertising	3,884,684	3,331,287
Animal Costs	1,572,711	1,180,773
Bank charges & commission	7,785,493	7,204,825
Chemicals	4,227,104	3,176,139
Cleaning	4,560,439	7,091,277
Community development and training	984,470	3,444,512
Computer expenses	-	3,598
Conferences and seminars	9,347,108	5,273,613
Consumables	7,438,618	5,988,341
CHAN 2014 Expenditure	31,442,284	-
Electricity	50,738,005	37,456,490
Financial management grant projects	3,518,797	5,716,972
Fuel and oil	26,901,807	19,910,189
Hire	10,929,277	12,622,074
Insurance	15,065,827	4,035,201
Lease rentals on operating lease	1,901,535	3,365,216
Legal expenses	22,717,270	6,696,700
License fees	12,010,166	10,445,917
Marketing	16,962,298	9,500,684
Metro transitional arrangements	310,264	1,211,884
Motor vehicle expenses	17,217,820	19,419,389
Penalties and interest	95,594	285,434
Postage and courier	5,821,142	5,334,554
Printing and stationery	6,640,296	5,509,888
Indigent burials	987,270	1,074,367
Reconnection test and removal - meters	(467,871)	4,990,865
Refreshments	1,084,549	782,292
Refuse	26,736,867	19,671,443
Rehabilitation of landfill and quarry sites	12,707,213	18,791,152
Special Projects	26,955,084	4,759,993
Sewerage & Waste disposal	700,153	708,319
Skills development and training	8,340,289	2,132,352
Skills development levy	8,828,167	8,429,910
Software expenses	323,928	390,246
Staff welfare	145,866	478,922
Subscriptions and membership fees	10,747,362	9,948,810
Telephone and fax	12,725,259	13,626,228
Title deed search fees	11,914,858	81,766
Tools, plant and equipment	409,785	500,420
Tourism development	2,408,665	612,347
Travel and subsistence	239,364	170,761
Uniforms & protective clothing	3,637,227	3,648,702
Vacuum services	612,009	5,405,550
Water	450,947	3,449,476
Water research	3,132,558	2,782,387
Sundry expenses	37,242,587	23,913,717
	431,935,145	**304,554,982**

Figures in Rand	2014	2013

41. Employee related costs

Salaries and wages	647,541,981	590,967,579
Contributions to pension funds	100,793,466	93,313,604
Contributions to medical aid	50,368,979	44,249,097
Contributions to UIF	5,664,594	5,256,621
Overtime payments	101,760,030	94,054,397
Travel, car, accommodation, subsistence and other allowances	67,538,755	58,903,759
Housing benefits and allowances	2,654,810	2,957,091
Other short term costs	-	17,110
Staff leave pay provision	24,950,245	11,567,252
Staff bonuses - 13th Cheques	2,964,672	476,993
Defined contribution plans - Current service costs	25,107,000	18,544,000
	1,029,344,532	**920,307,503**

Remuneration of the Accounting Officer

Annual remuneration	2,022,633	1,882,771
Car and other allowances	278,505	287,863
Contributions to UIF, medical aid and pension fund	55,878	48,937
	2,357,016	**2,219,571**

Remuneration of the Chief Finance Officer

Annual remuneration	1,373,022	1,331,681
Car and other allowances	477,032	415,585
Contributions to UIF, medical aid and pension fund	53,920	44,783
	1,903,974	**1,792,049**

Remuneration of Executive Director - Human Settlements

Annual remuneration	1,329,769	1,245,269
Car and other allowances	207,620	216,703
Contributions to UIF, medical aid and pension fund	343,338	320,148
	1,880,727	**1,782,120**

Remuneration of Executive Director - Corporate Services

Annual remuneration	714,786	1,019,172
Car and other allowances	583,471	518,315
Contributions to UIF, medical aid and pension fund	140,592	200,431
	1,438,849	**1,737,918**

The position was filled for 8 months during the 2013/14 financial year.

Remuneration of Acting Executive Director - Corporate Services

Annual remuneration	235,996	-
Car and other allowances	46,400	-
Contributions to UIF, medical aid and pension fund	58,027	-
	340,423	**-**

The position had an official acting for a period of 4 months during the 2013/14 financial year as it was vacant.

Remuneration of Executive Director - Social Services

Annual remuneration	1,311,135	1,233,609
Car and other allowances	251,373	222,247
Contributions to UIF, medical aid and pension fund	277,989	254,495
	1,840,497	**1,710,351**

Remuneration of Executive Director - Engineering

Annual remuneration	1,365,242	1,260,643
Car and other allowances	447,633	427,893
Contributions to UIF, medical aid and pension fund	35,952	31,693
	1,848,827	**1,720,229**

Figures in Rand	2014	2013
41. Employee related costs (continued)		
Remuneration of Executive Director - Economic Development and Planning		
Annual remuneration	1,616,538	1,507,032
Car and other allowances	267,632	266,304
Contributions to UIF, medical aid and pension fund	20,223	19,012
	1,904,393	**1,792,348**
Remuneration of Executive Director - Strategic Support & Service Delivery Regulation		
Annual remuneration	1,509,187	1,272,090
Car and other allowances	206,515	223,983
Contributions to UIF, medical aid and pension fund	72,856	65,802
	1,788,558	**1,561,875**

Figures in Rand	2014	2013

42. Remuneration of councillors

Councillors allowance	30,051,185	28,817,992
Cellphone and other allowances	2,753,078	1,171,807
Housing allowance	142,492	142,492
Medical Aid Contributions	423,319	349,240
Councillors' pension contribution	3,165,613	3,066,566
Travel allowance	10,571,044	10,062,138
	47,106,731	**43,610,235**

In-kind benefits:

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

Executive Mayor		
Councillor allowance	719,475	693,167
Cellphone allowance	49,020	39,828
Medical aid contributions	17,280	17,280
Pension fund contributions	104,416	99,516
Travel allowance	280,390	267,038
	1,170,581	**1,116,829**
Deputy Executive Mayor		
Councillor allowance	572,574	551,476
Cellphone allowance	49,020	19,872
Medical aid contributions	17,280	17,280
Pension fund contributions	83,082	79,162
Travel allowance	224,312	213,631
	946,268	**881,421**
Speaker		
Councillor allowance	617,411	593,404
Cellphone allowance	49,020	1,656
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	224,312	213,631
	946,269	**864,217**
Chief Whip		
Councillor allowance	550,875	524,509
Cellphone allowance	28,068	19,872
Housing allowance	-	6,561
Pension fund contributions	80,003	76,327
Travel allowance	210,293	200,279
	869,239	**827,548**
Mayoral committee members		
Councillor allowance	4,769,556	4,299,356
Cellphone allowance	250,743	175,961
Housing allowance	80,246	80,246
Medical aid contributions	109,384	87,513
Pension fund contributions	617,540	574,417
Travel allowance	1,892,633	1,713,494
	7,720,102	**6,930,987**

Figures in Rand	2014	2013

Part time councillors

Councillor allowance	22,821,295	22,226,721
Cellphone allowance	2,327,207	887,799
Housing allowance	24,000	24,000
Medical aid contributions	262,095	209,887
Pension fund contributions	2,280,571	2,201,525
Travel allowance	7,739,103	7,439,301
	35,454,271	**32,989,233**

43. Depreciation and amortisation

Intangible assets	324,068	319,033
Property, plant and equipment	292,157,771	258,149,875
	292,481,839	**258,468,908**

44. Bad debts and provision for bad debts

Consumer and other receivables impaired and written off	569,684,182	312,535,096

45. Bulk purchases

Water	382,809,314	336,562,227

46. Contracted services

Audit fees	14,806,207	11,655,677
Consultant fees	11,983,773	29,741,926
Debt collection fees	19,640,754	21,116,881
Integrated call centre	10,223,123	13,719,072
IPTN Planning	26,189,538	2,400,000
Investigations	-	3,219,436
Meter replacement	18,371,567	18,247,361
Security services	28,934,346	23,158,515
Other Contractors	52,816,038	46,438,440
	182,965,346	**169,697,308**

Figures in Rand	2014	2013

47. Grants and subsidies paid

Bursaries paid to employees	903,627	884,855
Central Agricultural Society	10,239	9,751
Cost of living allowance for pensioners	-	345
Demand Side Management Grant	8,000,000	-
Urban Settlement Development Grant	35,699,163	-
Free electricity services	13,082,652	12,495,853
Miscellaneous grants	161,859	169,546
National Electrification Program Grant	42,000,000	25,000,000
SPCA	414,220	394,495
	100,271,760	**38,954,845**

Bursaries paid to employees
Bursaries are paid to employees in accordance with the approved study scheme.

Central Agricultural Society
The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

Cost of living allowance for pensioners
The allowance is applicable to pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

Employees and ex-employees
This is paid to employees who belong to a non-contributive gratuity scheme and is paid out on retirement, termination or death.

Free electricity services
The free electricity provided by Centlec (SOC) Limited and Eskom is recoverable from the equitable share grant.

Miscellaneous grants
These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

National Electrification Programme Grant
The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

SPCA - Society for the Prevention of Cruelty to Animals
The subsidy is paid annually to the society to assist them in performing their tasks.

48. Fair value adjustments

Actuarial gain/(loss) on defined benefit plan obligation	(56,777,000)	(74,340,000)
Other financial assets		
• Other financial assets (Designated as at FV)	6,033	2,734
	(56,770,967)	**(74,337,266)**

49. Finance costs

Interest on Intercompany loan - Centlec (SOC) Limited	75,501,720	83,562,857
Finance leases	7,698,728	-
Non-current borrowings - DBSA loans	21,637,284	9,759,835
Defined benefit obligation	40,759,000	30,793,000
	145,596,732	**124,115,692**

Figures in Rand	2014	2013

50. Cash generated from operations

Surplus	875,861,659	364,483,650
Adjustments for:		
Depreciation and amortisation	292,481,839	258,468,908
(Gain)/Loss on sale of assets and liabilities	27,476,746	35,657,705
(Gain)/Loss on sale of non-current assets and disposal groups	(1,421,276)	(1,363,910)
(Gain)/Loss on fair value adjustments on assets	(41,322,260)	23,418,387
Movements in defined benefit obligation	104,252,000	108,853,000
Movements in provisions	12,707,214	18,791,152
Other non-cash items - Interest Income	(271,741,916)	(243,293,797)
Other non-cash item - Donation received	(6,080,000)	-
Other non-cash items - Finance cost	29,336,012	9,759,835
Changes in working capital:		
Inventories	(45,947,019)	(34,258,832)
Consumer receivables from exchange transactions	(80,206,556)	(63,589,602)
Consumer receivables from non-exchange transactions	(233,906,078)	(7,584,914)
Other receivables from exchange transactions	22,816,042	(15,561,582)
Payables from exchange transactions	165,106,687	361,495,910
VAT	(31,072,940)	(859,449)
Unspent conditional grants and receipts	(70,748,415)	(16,928,199)
Centlec Payables	(60,136,326)	(28,330,741)
Payables from non-exchange transactions	(17,143,706)	3,012,943
	670,311,707	**772,170,464**

Figures in Rand	2014	2013

51. Commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Infrastructure assets	346,390,442	486,704,881
• Other asset classes	94,760,181	54,834,286
	441,150,623	**541,539,167**

The commitment register was reconstructed during the current financial year to take into account the contingencies and variation orders resulting in the commitment disclosures for the 2013 financial year decreasing from R 595,027,749 to R 541,539,167. The infrastructure commitments increased from R475,429,707 to R 486,704,881.

The above changes also affected the financing of the commitments with the own resources required decreasing from R 217,904,334 to R 169,215,807 There was also a decrease in the financing from Unspent capital conditional grants and receipts amounting to R 4,800,055. Refer to Note 54 regarding the details of the changes in the Unspent capital conditional grants and receipts.

The capital expenditure will be financed from:		
Non-current borrowings	191,863,466	179,085,649
Unspent capital conditional grants and receipts	122,489,296	193,237,711
Own resources	126,797,861	169,215,807
	441,150,623	**541,539,167**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	610,244	852,402
- in second to fifth year inclusive	304,863	915,108
	915,107	**1,767,510**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per year. There are no renewal and/or purchase options . No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	4,590,559	3,306,825
- in second to fifth year inclusive	12,168,594	10,201,593
- later than five years	54,423,542	34,754,364
	71,182,695	**48,262,782**

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R17,929,384 (2013: R15,709,749) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

Figures in Rand	2014	2013

52. Contingencies

Guarantees:

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,857,056	3,913,655

The prior year figure has been restated due to the availability of additional information. The effect of the restatement is an increase of R 26,256 in the guarantees balance.

Contingent liabilities:

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attc	28,549,767	2,023,275
Labour cases and employee related matters	6,250,000	2,810,423
Claims by individuals due to property damages in various incidents	1,966,307	80,000
Claims from suppliers due to contractual disputes	41,630,753	9,527,257
Centlec (SOC) Limited - consumption of public lighting*	47,319,965	29,060,340
Centlec (SOC) Limited - consumption of Mangaung properties*	98,853,758	53,618,225
Centlec (SOC) Limited - repairs and maintenance of public lighting	52,762,976	23,250,984
	277,333,526	**120,370,504**

*Mangaung Metropolitan Municipality has a claim for the the consumption of all public lighting (streetlights) as well as the electricity consumption of Mangaung Metropolitan Municipality owned properties in the Mangaung Metro area from Centlec (SOC) Limited.
Furthermore, there is a claim from Centlec for the repairs and maintenance to public lighting.

The prior year figures for Centlec related contingency with regards to the public lighting and municipal electricity consumption changed after a reconciliation was performed between the entity's records and those of Centlec (SOC) Limited.

The effect of the restatement is as follows:
Increase in the Consumption of Public Lighting amounting to R 796,885
Increase in the Consumption of Mangaung Properties amounting to R 38,949,724
Increase in the Repairs and Maintenance of public lighting amounting to R 23,250,984

Figures in Rand	2014	2013

53. Related parties

Relationships
Controlled entities — Refer to note 8

A company, Centlec (SOC) Limited, of which Mangaung Metro Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

Related party balances

Loan accounts - Owing (to) by related parties		
Centlec (SOC) Limited - Shareholders loan	2,617,429,474	2,356,112,160
Centlec (SOC) Limited - Advances	109,875,508	122,642,380
Centlec (SOC) Limited - Intercompany loan balance	(895,938,230)	(956,074,556)
Amounts included in Trade Receivable (Trade Payable) regarding relat		
Centlec (SOC) Limited - Other Payables - Grants	(27,564,449)	(27,477,849)
Centlec (SOC) Limited - Trade Payables	(162,236,855)	(90,433,046)
Investment in related parties		
Centlec (SOC) Limited	100	100

Related party transactions

Interest paid to (received from) related parties		
Centlec (SOC) Limited - Advances	(10,424,602)	(12,248,074)
Centlec (SOC) Limited - Shareholders loan	(261,317,314)	(231,045,723)
Centlec (SOC) Ltd - Intercompany loan	75,501,720	83,562,857
Centlec (SOC) Ltd - Electricity accounts outstanding	5,317,128	2,803,953
Expenses paid to / (Income received from) related parties		
Centlec (SOC) Ltd - Income from agency services	(100,666,986)	(106,046,017)
Centlec (SOC) Limited - Electricity charges - streetlight consumption	20,988,000	19,800,000
Centlec (SOC) Limited - Electricity charges - municipal consumption	28,237,447	8,880,664
Centlec (SOC) Limited - Repairs and maintenance on streetlights	8,933,078	-
Centlec (SOC) Limited - Grants paid	89,201,050	30,013,531
(Receipts)/Payments on behalf of Centlec (SOC) Limited		
Bank receipts	(2,457,311)	(27,690,867)
Insurance costs	-	128
Telephone expenses	143,520	1,310,487
Payments	-	32,924

The entity in the prior year erroneously omitted the disclosure of the following items due to the contingent liabilities raised and inadequate information being available:

Loan Accounts:
Decrease in Centlec (SOC) Limited - Intercompany loan balance amounting to R 12,969,778

Amounts included in Trade Receivable (Trade Payable) regarding related:
Increase in Centlec (SOC) Limited - Other Payables - Grants balance amounting to R 27,477,849
Increase in Centlec (SOC) Limited - Trade Payables balance amounting to R 90,433,046

Investment in related parties
Increase in Centlec (SOC) Limited balance amounting to R 100

Interest paid to (received from) related parties
Increase in the Centlec (SOC) Ltd - Electricity accounts outstanding balance amounting to R 2,803,953

Expenses paid to / (Income received from) related parties
Increase in Centlec (SOC) Limited - Electricity charges - streetlight consumption balance amounting to R 19,800,000
Increase in the Centlec (SOC) Limited - Electricity charges - municipal consumption amounting to R 8,880,664
Increase in Centlec (SOC) Limited - Grants paid balance amounting to R 30,013,531

For the details of the prior period errors refer to Note 54

Figures in Rand	2014	2013

53. Related parties (continued)

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 41, for key management and note 42 for Councillors

54. Prior period errors

1. Prior period error - Revaluation reserve:

The accumulated surplus account was incorrectly credited instead of the revaluation reserve when assets were revalued during the prior year.

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

Statement of financial position		
Increase in Revaluation surplus	-	(10,404,624)
Decrease in Accumulated surplus	-	10,404,624

Figures in Rand	2014	2013

54. Prior period errors (continued)

2. Prior period error - VAT on management fee

During the prior year, the VAT on management fee was were incorrectly levied before the invoices were paid by Centlec. The VAT on the streetlight consumption was also incorrectly acocunted for when the payable was raised.

Statement of financial position		
Increase in VAT payable	-	(8,138,808)
Decrease in Centlec Intercompany loan	-	12,969,788
Increase in Payables from exchange transactions - (Trade Payables)	-	(4,830,980)
	-	-

3. Prior period error - VAT apportionment

In the current year the refund was received for the apportionment of VAT

Statement of financial position		
Increase in VAT payable	-	(813,784)
Decrease in Accumulated Surplus	-	813,784
	-	-

4. Prior period error - R51k repairs and maintenance difference

During the prior period an error occurred which led to the repairs and maintenance disclosed being overstated in the annual financial statements. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated surplus	-	51,861
Statement of financial performance		
Decrease in Repairs and maintenance	-	(51,861)
	-	-

5. Prior period error - Retentions released

Retentions which were incorrectly included within Sundry Debtors, but should have been released in prior years, were not released.

Statement of financial position		
Increase in Other Receivables - Sundry Receivables	-	9,635,988
Increase in Opening Accumulated Surplus	-	(9,635,988)
	-	-

6. Prior period error - City of Ghent Grant

During the prior financial year, the unspent portion of the City of Ghent Grant were not disclosed under unspent grants and subsidies, under Payables from non-exchange revenue. The effect of the correction is as follows:

Statement of financial position		
Decrease in Payables from non-exchange transactions - Other Payables	-	1,640,461
Increase in Unspent conditional grants	-	(1,640,461)
	-	-

7. Prior period error - Housing accreditation grant revenue

In prior years, the conditions of the housing accreditation grant were met, but no revenue was recognised from the grant received which let to the unspent portion of the grant being misstated. These items were investigated and the revenue recognised against accumulated surplus. The effect of the restatement is as follows:

Statement of financial position		
Increase in opening Accumulated Surplus	-	(6,440,516)
Decrease in Unspent conditional grants and receipts - Municipal accreditatior	-	6,440,516
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

8. Prior period error - Cost of living allowances and long service leave for employees

During the prior financial year, the costs relating to the cost of living allowance for pensioners and the cost of long service allowance and leave paid out to employees were incorrectly classified under Grants and subsidies paid instead of salaries and wages. These expenses are recouped from the Defined Benefit Obligation.

Statement of financial performance		
Decrease in Grants and subsidies paid - Cost of living allowance for pensione	-	(124,691)
Increase in Grants and subsidies paid - Employees and ex-employees	-	7,584,346
Decrease in Employee related costs - Salaries and wages	-	(7,459,655)
	-	-

9. Prior period error - Cricket stadium receivable

In the prior year the cricket stadium receivable was not considered for impairment. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Non-current receivables - Cricket Stadium	-	(9,450,444)
Statement of financial performance		
Increase in Bad debts and provision for bad debts	-	9,450,444
	-	-

10. Prior period error - Water purchases

During the prior year a receivable was incorrectly raised due to a lack of supporting documentation. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Other Receivables	-	(7,704,687)
Decrease in Accumulated surplus	-	6,758,497
Decrease in VAT payable	-	946,190
	-	-

11. Prior period error - Municipal electricity consumption

During the verification process of municipal buildings' electricity consumption, it was noted that electricity expenses were not recognised by the entity. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade Payables	-	27,836,073
Decrease in VAT payable	-	3,559,028
Statement of financial performance		
Decrease in General expenses - Electricity	-	(31,395,101)
	-	-

12. Prior period error - Correction of Free Electricity Services (FBE) with Centlec

After a reconciliation performed between Centlec (SOC) Limited and the entity, it was identified that the FBE charge between the two entities was to be reduced. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions (Other payables- Grants)	-	981,221
Statement of financial performance		
Decrease in Grants and Subsidies paid - Free electricity services	-	(981,221)
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

13. Prior period error - Recognition of council dogs

In the current financial year it was noted that the council dogs were not included in the financial records of the entity. The effect of this is as follows:

Statement of financial position		
Increase in PPE - Community assets - Cost	-	61,500
Increase in PPE - Community Assets - Accumulated Depreciation	-	(25,310)
Increase in Accumulated Surplus	-	(44,976)
Statement of financial performance		
Increase in Depreciation	-	8,786
	-	-

14. Prior period error - Servitudes capitalisation

Upon the finalisation of the Servitudes register it was noted that some of the costs relating to the registration of servitudes were not capitalised. Therefore, the cost associated with the registration of servitudes was capitalised and the effect on the financial statements is as follows:

Statement of financial position		
Increase in Intangible Assets - Servitudes	-	273,707
Decrease in Other Receivables - Pre-paid assets	-	(273,707)
	-	-

15. Prior period error - Bridges capitalisation

In the current financial year 2013/2014. It was noted that some of the bridges were note included in the asset register. Thus, the impact of the bridges in the Annual Financial Statements is as follows:

Statement of financial position		
Increase in PPE - Infrastructure Assets - Bridges	-	38,756,419
Increase in PPE - Infrastructure Assets - Accumulated Depreciation Bridges	-	(3,523,311)
Increase in Accumulated Surplus	-	(35,820,326)
Statement of financial performance		
Increase in Depreciation	-	587,218
	-	-

16. Prior period error - Sports Grounds

In the current year as the entity finalised the Sports Ground register it was noted that the some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the financial statements is as follows:

Statement of financial position		
Increase in PPE Community Assets - Cost Sports grounds	-	14,277,870
Decrease in PPE - Community Assets - Work in Progress	-	(14,277,870)
Increase in PPE - Community Assets - Accumulated Depreciation	-	(336,320)
Statement of financial performance		
Increase in Depreciation	-	336,320
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

17. Prior period error - Water and Sanitation

In the current year as the entity finalised the Water and Sanitation register it was noted that the some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the financial statements is as follows:

Statement of financial position		
Increase in PPE - Infrastructure Assets - Cost (Water and Sanitation)	-	12,558,331
Decrease in PPE - Infrastructure - Work in Progress	-	(12,558,331)
Increase in Opening Accumulated depreciation	-	(14,357)
Statement of financial performance		
Increase in Depreciation	-	14,357
	-	-

18. Prior period error - Cemeteries additions

During the finalisation of the Cemetery register the entity received the information which indicated that there parts of cemeteries which should have been disposed off in the prior years and project that should have been capital. The effect of the financial statements is as follows:

Statement of financial position		
Increase in Community Assets - Cost of cemeteries	-	6,426,887
Decrease in Community Assets - WIP	-	(6,426,887)
Increase in Accumulated depreciation	-	(326,775)
Decrease in Accumulated Surplus	-	88,680
Statement of financial performance		
Increase in Depreciation	-	238,095
	-	-

19. Prior period error - Cemeteries derecognition

During the finalisation of the Cemetery register the entity received the information which indicated that there parts of cemeteries which should have been disposed off in the prior years and project that should have been capital. The effect of the financial statements is as follows:

Statement of financial position		
Decrease in Community Assets - Cost of cemeteries	-	(20,968,485)
Decrease in Accumulated Depreciation	-	7,836,317
Decrease in Accumulated Surplus	-	14,366,194
Statement of financial performance		
Decrease in Depreciation	-	(1,234,026)
	-	-

20. Prior period error - Roads additions

During the finalisation of the roads register the entity noted that there were completed projects which should have been disposed of in the prior and some of the completed project which should have been capitalised but were still lying under work-in-progress. The effect on the financial statements is as follows:

Statement of financial position		
Increase in Infrastructure Assets - Cost of Roads	-	203,306,665
Decrease in Infrastructure Assets - Work in progress	-	(203,306,665)
Increase in Accumulated Depreciation	-	(10,025,473)
Decrease in Accumulated Surplus	-	5,981,212
Statement of financial performance		
Increase in Depreciation	-	4,044,261
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

21. Prior period error - Roads derecognition

During the finalisation of the roads register the entity noted that the were completed project which should have been disposed of in the prior and some of the completed project which should have been capitalised but still lying under work-in-progress. The effect on the financial statements is as follows:

Statement of financial position		
Decrease in PPE - Infrastructure - Cost of Roads	-	(61,832,930)
Decrease in Accumulated Depreciation	-	26,844,859
Statement of financial performance		
Increase in Loss on disposal of assets	-	34,988,071
	-	-

22. Prior period error - Adjustment to values of municipal properties included to supplementary valuation rolls

The valuation of fifteen properties affected by supplementary valuation rolls 5 and 6 have been adjusted. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

Statement of financial position		
Decrease in Revaluation Reserve	-	826,828
Decrease in Accumulated Surplus	-	2,048,503
Decrease in Property, Plant and Equipment - Land	-	(2,875,331)
Decrease in Investment Property	-	(1,340,000)
Statement of financial performance		
Decrease in gain on fair value adjustments on assets	-	1,340,000
	-	-

23. Prior period error - Properties previously not accounted for now capitalised

Four properties previously excluded from the Land register now capitalised. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

Statement of financial position		
Increase in PPE - Land	-	1,544,000
Increase in Accumulated surplus	-	(1,146,849)
Increase in Revaluation reserve	-	(397,151)
	-	-

24. Prior period error - Properties duplicated or incorrectly classified removed from Land Register

Nine duplicated properties were removed from the land register and four properties classified as inventory. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

Statement of financial position		
Decrease in Property, Plant and Equipment	-	(2,277,785)
Decrease in Revaluation Reserve	-	585,896
Decrease in Accumulated Surplus	-	1,691,889
	-	-

25. Prior period error - Correct classification of the remaining portion of the farm Bloemfontein 654

Reclassification of the significant portions of R/Bloemfontein 654 now identified, surveyed and valuated. The effect of the restatement is summarised as follow:

Statement of financial position		
Decrease in Investment Property	-	(117,350,000)
Increase in Property, Plant and Equipment	-	341,550,000
Increase in Revaluation Reserve	-	(87,854,122)
Increase in Accumulated Surplus	-	(136,345,878)
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

26. Prior period error - Zoo Lodge not previously recognised

The Zoo Lodge were valued, taking into consideration the notarial lease and disclosed separately. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

Statement of financial position		
Increase in Property, Plant and Equipment	-	2,526,836
Increase in Accumulated Surplus	-	(1,950,862)
Increase in Revaluation Reserve	-	(575,974)
Increase in Accumulated depreciation	-	(41,508)
Statement of financial performance		
Increase in depreciation	-	41,508
	-	-

27. Prior period error - Correction of depreciation calculated on Brandwag Flats

Adjustment of depreciation on Brandwag flats. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

Statement of financial position		
Decrease in Revaluation Reserve	-	539,830
Decrease in PPE - Accumulated Depreciation	-	637,638
Decrease in Property, Plant and Equipment	-	(1,177,468)
	-	-

28. Prior period error - Land from PPE to Inventory

Correction of land previously incorrectly included in PPE - Land and buildings (Parks)

Statement of financial position		
Decrease in PPE - Land	-	(121,000)
Decrease in Revaluation Reserve	-	31,124
Decrease in Accumulated Surplus	-	77,248
Increase in Inventory	-	12,628
	-	-

29. Prior period error - Correction of Sanco property classification

During the prior year the Sanco related property were incorrectly classified as inventory. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Inventory	-	(4,360)
Increase in PPE - Land	-	9,037
Increase in PPE - Buildings	-	28,963
Increase in Revaluation Reserve - Buildings	-	(23,521)
Increase in Revaluation Reserve - Land	-	(2,325)
Increase in revaluation - 2013 movement	-	(3,506)
Increase in Accumulated Surplus	-	(4,288)
Increase in Accumulated depreciation	-	(430)
Statement of financial performance		
Increase in depreciation	-	430
	-	-

30. Prior period error - Payables

During the 2011/12 financial year a payable was incorrectly raised related to employee disputes. The effect of the restatement is as follows:

Statement of financial performance		
Decrease in Payables from exchange transaction - Trade payables	-	6,798,058
Increase in Accumulated Surplus	-	(6,798,058)
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

31. Prior period error - VAT on 2012 Free Electricity Services

Correction of VAT on Free Electricity Services for 2012.

Statement of financial position		
Decrease in VAT payable	-	471,530
Increase in Payables from exchnage transactions - (Other payables)	-	(471,530)
	-	-

32. Prior period error - Payments in advance

Correction of journal posted in error when reconciling payments received in advance.

Statement of financial position		
Increase in Payables from non-exchange transactions	-	(4,152,017)
Decrease in Opening Accumulated Surplus	-	4,152,017
	-	-

33. Prior period error - Other Assets Additions (Tools, plant and equipment)

During the physical verification excercise of movable assets the entity identified assets that should have been included in the asset register. The effect of the correction is as follows:

Statement of financial position		
Increase in Property, plant & equipment - Cost of Tools, plant and equipment	-	10,383,826
Increase in Accumulated Depreciation	-	(1,221,950)
Increase in Accumulated Surplus	-	(9,895,047)
Statement of financial performance		
Increase in Depreciation	-	733,171
	-	-

34. Prior period error - Other Assets Disposals (Tools, plant and equipment)

In the current financial period it was the entity identified assets that should have been disposed off from tools, plant and equipment.

Statement of financial position		
Decrease in PPE - Cost of Other Assets	-	(10,230,521)
Decrease in PPE - Accumulated depreciation of Other Assets	-	1,615,544
Decrease in Accumulated surplus	-	9,584,303
Statement of financial performance		
Decrease in Depreciation	-	(969,326)
	-	-

35. Prior period error - Other Assets Additions (Furniture & office equipment)

During the physical verification exercise of movable assets the entity identified assets that should have been included in the asset register.

Statement of financial position		
Increase in PPE - Cost of Other Assets	-	5,655,025
Increase in PPE - Accumulated depreciation of Other Assets	-	(338,488)
Increase in Accumulated Surplus	-	(5,519,630)
Statement of financial performance		
Increase in depreciation	-	203,093
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

36. Prior period error - Other Assets Disposals (Furniture & office equipment)

In the current financial period it was the entity identified assets that should have been disposed off from tools and and equipment.

Statement of financial position		
Decrease in PPE - Cost of Other Assets	-	(26,678,804)
Decrease in PPE - Accumulated depreciation of Other Assets	-	4,705,246
Decrease in Accumulated Surplus	-	24,796,706
Statement of financial position		
Decrease in Depreciation	-	(2,823,148)
	-	-

37. Prior period error - Depreciation correction

During a recalculation performed on the asset register the depreciation for water meters were understated. The effect of the correction is as follows:

Statement of financial position		
Decrease in PPE - Accumulated depreciation on Other Assets	-	2,550,222
Statement of financial performance		
Decrease in Depreciation	-	(2,550,222)
	-	-

38. Prior period error - Duplication of Investment Property

Duplication of the Clinic in Oranjesig at a value of R 69 000.00 was corrected on the Investment Propert register

Statement of financial position		
Decrease in Accumulated Surplus	-	69,000
Decrease in Investment Property	-	(69,000)
	-	-

39. Prior period error - Adjustment of property valuations based on Valuation roll 4

During the prior year, the value of municipal property was not updated with the changes as contained in Supplementary roll 4. Value of land reduced and buildings increased as a result of the revaluation of small holdings and residential rental stock. The effect on the restatement is as follows:

Statement of financial position		
Increase in Revaluation reserve	-	(20,783,107)
Increase in Accumulated surplus	-	(6,462,713)
Decrease in Investment property	-	(23,565,000)
Increase in PPe - Buildings	-	52,511,239
Decrease in PPE - Land	-	(25,265,419)
Statement of financial performance		
Increase in Gain/(loss) on fair value adjustments on assets	-	23,565,000
	-	-

40. Prior period error - Valuation of Westdene sports club

The Wesdene sports club and Hilton bowling club were valued in the current financial year and disclosed as prior year additions.

Statement of financial position		
Increase in Revaluation reserve	-	(2,103,660)
Increase in Accumulated Surplus	-	(1,070,340)
Increase in PPE - Buildings	-	1,904,400
Increase in PPE - Land	-	1,269,600
	-	-

Figures in Rand	2014	2013

54. Prior period errors (continued)

41. Prior period error - Capitalisation of buildings purchased in 2012/13

Land acquired during the 2012/2013 financial year were capitalised during the 2013/2014 financial year as land only. The value of Buildings on these properties were capitalised at an average of 60% of the purchase price

Statement of financial position		
Decrease in Other Receivables - Sundry Receivables	-	(10,354,403)
Increase in PPE - Land Cost	-	10,354,403
Increase in PPE - Buidlings - Accumulated depreciation	-	(43,583)
Increase in PPE - Buildings Cost	-	239,709
Decrease in PPE - Land Cost	-	(239,709)
Statement of financial performance		
Increase in depreciation	-	43,583
	-	-

42. Prior period error - Classification of Hoffman Square land

Hoffman square was valued during the current year and is disclosed as an addition to Heritage assets in the prior.

Statement of financial position		
Increase in Heritage Assets	-	43,697,190
Increase in Revaluation Reserve	-	(11,239,894)
Increase in Accumulated surplus	-	(32,457,296)
	-	-

43. Prior period error - Correction of Heritage Assets

In the current year the the classification of the Navill Hill reserve was corrected from heritage assets to community assets.

Statement of financial position		
Decrease in Heritage Assets - Cost	-	(4,821,625)
Increase in PPE - Community Assets - Cost	-	4,821,625
Increase in PPE - Community Assets Accumulated depreciation	-	(1,707,636)
Decrease in Accumulated surplus	-	1,423,030
Statement of financial performance		
Increase in Depreciation	-	284,606
	-	-

Figures in Rand	2014	2013

55. Comparative figures

Certain comparative figures have been reclassified. The following items were reclassified within General Expenditure to more closely reflect their purpose.

The effects of the reclassification are as follows:

Statement of Financial Performance

Increase in General Expenses - Lease rentals on operating lease	-	1,782,150
Decrease in General Expenses - Subscriptions and membership fees	-	(1,782,150)

56. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including interest rate risk and price risk).

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Figures in Rand	2014	2013

56. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

The comparative figures have been restated due to prior period errors recorded on these items.

At 30 June, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8,586,358	183,277,108	-	-
Finance lease obligation	66,194,344	94,769,481	-	-
Trade payables from exchange transactions	628,791,175	-	-	-
Trade payables from non-exchange transactions	148,162,111	-	-	-
Centlec Payables	895,938,230	-	-	-

At 30 June, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	9,548,467	169,537,182	-	-
Finance lease obligation	2,477,556	4,678,339	-	-
Trade payables from exchange transactions	463,684,488	-	-	-
Trade payables from non-exchange transactions	165,305,816	-	-	-
Centlec Payables	956,074,556	-	-	-

Credit risk

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

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.
All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

Cash and cash equivalents	132,274,676	257,260,312
Centlec receivables	2,727,304,982	2,478,754,540
Consumer receivables from exchange transactions	381,541,779	301,335,223
Other receivables from exchange transactions	28,668,257	51,484,299
Financial instruments designated at fair value	22,815	16,782

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 52 for additional details.

These balances represent the maximum exposure to credit risk.

Figures in Rand	2014	2013

56. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of interest rate risks and foreign currency risks:

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call, notice and fixed deposits
- Development Bank of South Africa loans

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to make as far as possible use of fixed rate instruments. During 2014 and 2013, the entity's borrowings at variable rate were denominated in the Rand.

Fair values:
The fair value of financial assets with standard terms and conditions and traded in an active market is determined with reference to quoted market bid prices and ask prices respectively.

	Cost Price		Fair Value	
Figures in Rand	2014	2013	2014	2013
Financial Instrument				
Financial instruments at fair value - OVK Limited	2,535	2,535	22,815	16,782

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk, it also does not hedge foreign exchange fluctuations.

57. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,257,262,484 and that the entity's total assets exceed its liabilities by R 11,126,985,912.

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

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 10 of 2014).

The entity has an intercompany loan from Centlec (SOC) Limited, as shown under note 9 with an amount of R 895,938,230 (2013: R956,074,556). The current ratio is calculated at 0.75:1 (2013: 0.77:1), when excluding the loan, as the entity has full control over Centlec, municipal entity.

58. Events after the reporting date

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R104,522,916.77

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off. Refer to note 61 for the reconciliation of irregular expenditure.

Figures in Rand		2014	2013

59. Unauthorised expenditure

Opening balance		394,504,039	374,968,378
Unauthorised expenditure - current year		498,003,019	19,535,661
		892,507,058	**394,504,039**

Details of unauthorised expenditure:

Incidents regarding 2010/2011	**Disciplinary steps taken / criminal proceedings**		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water - Operating	None	-	23,353,983
Overspending by Water - Capital	None	-	14,165,233
		-	**67,711,892**

Incidents regarding 2011/2012	**Disciplinary steps taken / criminal proceedings**		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh produce market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	**307,256,486**

Incidents regarding 2012/2013	**Disciplinary steps taken / criminal proceedings**		
Overspending by Infrastructure services	None	-	19,535,661

Incidents regarding 2013/2014	**Disciplinary steps taken / criminal proc eedings**		
Overspending by Infrastructure	None	129,922,837	-
Overspending by Miscellaneous Services	None	368,080,182	-
		498,003,019	**-**

Refer to Appendix E(1) and E(2) for more details.

The above relates to accounting adjustments such as provision of bad debts and depreciation.

The total over expenditure on Infrastructure amounted to R 129,922,837 of which Depreciation amounted to R163,033,702 (Budgeted amount of R 129,448,137 vs Actual amount of R 292,481,839).

The total over expenditure on Miscellaneous Services amounted to R,368,080,182 of which the Provision of Bad debts amounted to R 433,847,531 (Budgeted amount of R 41,564,190 vs Actual amount of R 475,411,721).

Figures in Rand		2014	2013

60. Fruitless and wasteful expenditure

Opening balance		28,176,593	27,000,205
Fruitless and wasteful expenditure for the current year		148,343	1,176,388
		28,324,936	**28,176,593**

Details of fruitless and wasteful expenditure incidents 2009/10	**Disciplinary steps taken/criminal proceedings**		
Penalties and interest paid on the late submission of VAT return.	None	-	5,099,888

Details of fruitless and wasteful expenditure incidents 2010/11	**Disciplinary steps taken /criminal proceedings**		
Penalties and interest paid on the late submission of a VAT return.	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	None	-	171,147
		-	**7,900,281**

Details of fruitless and wasteful expenditure incidents 2011/12	**Disciplinary steps taken /criminal proceedings**		
Penalties and interest paid on the late submission of a VAT return.	None	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but he was however n	None	-	378,254
		-	**14,378,291**

Details of fruitless and wasteful expenditure incidents 2012/13	**Disciplinary steps taken /criminal proceedings**		
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	-	42,879
Interest paid to Eskom due to late payment	None	-	41,415
Interest paid to FDC due to late payment	None	-	804
Interest paid to Rossouws Attorneys due to late payment	None	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	-	57
No Show penalty for 7 Councillors at 29/01/2013 accommodation Protea H	None	-	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	-	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	-	147,204
Interest paid to Bloemwater due to late payment	None	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	60,820
Interest paid to Telkom SA limited due to late payment	None	-	100,031
Interest paid to Lawyers due to late payment	None	-	11,506
Councillor T.J Makae annual salary was paid to him but was however no lo	None	-	375,765
		-	**798,134**

Details of fruitless and wasteful expenditure incidents 2013/14	**Disciplinary steps taken /criminal proceedings**		
Interest paid to Eskom due to late payment	None	138,247	-
Interest paid to FDC due to late payment	None	783	-
Interest paid to Broll due to late payment	None	976	-
Interest paid to Bloemwater due to late payment	None	240	-
Interest paid to Lawyers due to late payment	None	769	-
Interest paid to Pec Marketing due to late payment	None	417	-
Interest paid to Dlamini and Associates due to late payment	None	525	-
Interest paid to Standard Bank of South Africa due to late payment	None	3,818	-

Figures in Rand		2014	2013

60. Fruitless and wasteful expenditure (continued)

Interest paid to Wright Rose Innes INC due to late payment	None	2,360	-
Interest paid to Dierehospitaal due to late payment	None	208	-
		148,343	**-**

61. Irregular expenditure

Opening balance	265,271,736	255,032,003
Add: Irregular Expenditure - current year	9,004,641	10,239,733
Less: Irregular expenditure - write off in respect of prior year amounts 2010/1	(34,783,082)	-
Less: Irregular expenditure - write off in respect of prior year amounts 2011/1	(217,824)	-
	239,275,471	**265,271,736**

Analysis of expenditure awaiting condonation/write off per age classification

Current year	9,004,641	10,239,733
Prior years	230,488,654	255,032,003
	239,493,295	**265,271,736**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified where the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	9,004,641

Details of irregular expenditure written off

Expenditure items identified during the 2010/11 financial year where the supply chain process was not followed were approved for write off by Council on 4 September 2014.	(34,783,082)
Expenditure items identified during the 2011/12 financial year where the supply chain process was not followed were approved for write off by Council on 7 July 2014.	(217,824)
	(35,000,906)

During the current year in the council meetings held on the 4th September 2013 and 7th July 2014 the municipal Council approved a write off of irregular expenditure totalling R 35,000,906. The following were the main findings of the detailed investigations performed:

Incorrect classification expenditure correctly incurred in terms of legislation as irregular expenditure
There was value for money relating to the expenditure incurred.
The above write off was done in terms of MFMA Circular 68 as issued by National Treasury in May 2013.

62. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating income and expenditure versus budgeted operating income and expenditure.

63. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted capital expenditure.

Figures in Rand	2014	2013

64. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Deviations 2014	**Rands**	**Number of deviations**
Emergency	668,227	10
Sole supplier	12,758,596	35
Impractical	31,215,579	91
Urgent	25,518,572	43
	70,160,974	**179**

Deviations 2013	**Rands**	**Number of deviations**
Emergency	899,535	8
Sole supplier	12,922,652	293
Urgent	42,010,153	82
	55,832,340	**383**

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Figures in Rand	2014	2013

65. Additional disclosures in terms of the Municipal Finance Management Act

Contributions to organised local government

Current year subscription fee	10,400,000	9,800,000
Amount paid - current year	(10,400,000)	(9,800,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

Opening balance	365,037	557,202
Current year regularity audit fees	14,720,683	12,039,448
Amount paid - previous years	(365,037)	(557,202)
Amount paid - current year	(13,522,510)	(11,674,411)
	1,198,173	**365,037**

The following comparative items have been restated due to the availability of additional information:

Opening balance decreased by R 78,008
Regularity audit fees increased by R 383,771
Amounts paid previous year decreased by R 78,008
Amounts paid - current year increased by R 124,318

PAYE, UIF and SDL

Opening balance	11,284,973	9,070,230
Payable for the current year	156,623,871	139,815,958
Amount paid - current year	(155,021,019)	(137,601,216)
	12,887,825	**11,284,972**

The following comparative items have been restated due to the availability of additional information:

Opening balance increased by R 8,032,996
Amount paid - current year increased by R 882,227

Pension and medical aid deductions

Payable for the current year	233,384,188	228,186,164
Amount paid - current year	(233,384,188)	(228,186,164)
	-	-

Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable.
The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo Liter	Cost per kilo liter	Total loss in Rands
Unaccounted water - 2014	24,735,277	R 4.74	R 117,245,213
Unaccounted water - 2013	29,686,927	R 3.94	R 116,966,482

Councillors' arrear consumer accounts

Refer to Appendix H for details regarding the councillors' arrear consumer accounts.

Figures in Rand	2014	2013

66. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)
Goods and services of a transaction value between R 10,000 and R 200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)
Goods and services with a transaction value above R 200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.
Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.
Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Figures in Rand	2014	2013

67. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

A1 - Favourable variance due to the higher property values following the implementation of the new valuation roll as of 1 July 2013. A total of 7686 objections were received from the new valuation roll which might results in some of the market values as contained in the general valuation roll being adjusted in terms of the objections and appeals processes;

A2 - Favourable variance due to the following:
Water revenue - Favourable due to seasonal fluctuations in water usage
Sanitation revenue - Favourable variance mainly as a result of the implementation of the new valuation roll and appeal process
Refuse revenue - Favourable variance of due to increased collection of trade waste removal;

A3 - Unfavourable variance due to the slow implementation of projects which has been funded through conditional government grants.

A4 - Variance due to unfavourable movement in the Defined benefit obligation.

A5 - Favourable variance due to unfilled vacancies.

A6 - Variance due to debt written off during the year and movement in the impairment provisions.

A7 - Variance due to increased asset base.

A8 - Favourable variance due to less expenditure on projects.

Statement of financial position:

A9 - Variance due to the activites reported on the statement of financial performance and the resultant financial position of the entity.

Cash flow statement:

A9 - Variance due to the activites reported on the statement of financial performance and the resultant financial position of the entity.

Reconciliation between Total Revenue and Total Expenditure

The total revenue and total expenditure differs between the Statement of financial performance and the statement of comparison between budget and actual amounts due to the following classification differences between the two statements:

R1 - Fair value adjustments and gains on disposal of non-current assets are classified under total revenue for budget purposes, while the financial statements classifies it as an adjustment to expenditure.

Figures in Rand	2014	2013

67. Budget differences (continued)

Changes from the approved budget to the final budget

Statement of financial performance

B1 - Property rates increased due to higher property values following implementation of the new valuation roll as of 1 July 2013 and the outstanding finalization of the objection process thereof.

B2 - Service charges increased due to the following:
Sale of water increases by R 32,614 million in line with the progress made with metering the previously unmetered sites.
Sanitary fees increases by R 2,497 million in line with the increase in the property rates income.
Refuse removal increases by R 16,448 million due to higher trade waste removal income.
Investment revenue increases by R 3 million due to higher projected interest income for the year.

B3 - Grants received were adjusted in order to allow for additional grants, subsidies and donations received or to be received to be included in the budget.

B4 - Repairs and maintenance were increased due to more repairs and maintenance planned.

B5 - Grants and subsidies paid increased due to the Electricity Demand Side Grant payable to Centlec SOC Limited

B6 - Contracted services increased due to the consumer revenue enhancement strategy expenditure.

- Increase in general expenditure mainly due to the following expenses:
  - 2014 CHAN Tournament
  - Top 50 Consumers Revenue enhancement expenses
  - Insurance

Statement of financial position

B8 - Changes to the statement of financial performance budget were made due to the audited financial statements as at 30 June 2014 becoming available after the finalisation of the audit. The changes therefore were done in order to align the budget statement of financial position taking into account the closing balances as per the financial statements as well as the changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement

B9 - Changes to the cash flow statement were made due to the anticipated cash position of the entity.

Appendix A - (Unaudited)

Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable Date	Balance at 30 June, 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June, 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA @ 12.62%	103433/01	31 March 2026	47,098,464	-	2,194,711	44,903,753	-	-
DBSA @ 6.75%	103433/02	31 March 2026	125,653,576	22,257,487	4,935,335	142,975,728	-	-
DBSA @ 10%	8001/104	31 December 2015	6,333,610	-	2,349,623	3,983,987	-	-
			-	-	-	-	-	-
			179,085,650	**22,257,487**	**9,479,669**	**191,863,468**	**-**	**-**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land	1,018,610,539	8,850,203	-	-	-	-	-	-	**1,027,460,742**	-	-	-	-	1,027,460,742
Buildings	1,041,714,229	64,845,570	-	-	-	-	-	-	**1,106,559,799**	(7,549,974)	-	(30,835,191)	**(38,385,165)**	1,068,174,634
Work in Progress	136,119,675	-	-	**25,826,965**	(63,012,542)	-	-	-	**98,934,098**	-	-	-	-	98,934,098
	2,196,444,443	**73,695,773**	**-**	**25,826,965**	**(63,012,542)**	**-**	**-**	**-**	**2,232,954,639**	**(7,549,974)**	**-**	**(30,835,191)**	**(38,385,165)**	**2,194,569,474**
Infrastructure														
Bridges	91,249,201	-	-	-	-	-	-	-	**91,249,201**	(8,256,400)	-	(1,405,306)	**(9,661,706)**	81,587,495
Intersections	45,584,823	-	-	-	-	-	-	-	**45,584,823**	(30,386,416)	-	(5,066,136)	**(35,452,552)**	10,132,271
Road furniture	28,135,128	-	-	-	-	-	-	-	**28,135,128**	(14,817,041)	-	(1,022,546)	**(15,839,587)**	12,295,541
Street lights	10,474,432	-	-	-	-	-	-	-	**10,474,432**	(2,732,148)	-	(455,428)	**(3,187,576)**	7,286,856
Sanitation	266,043,129	-	-	-	-	-	-	-	**266,043,129**	(70,060,611)	-	(11,535,259)	**(81,595,870)**	184,447,259
Side walks	173,172,011	-	-	-	-	-	-	-	**173,172,011**	(61,112,561)	-	(10,187,223)	**(71,299,784)**	101,872,227
Water	460,692,746	-	-	-	-	-	-	-	**460,692,746**	(137,154,597)	-	(25,280,988)	**(162,435,585)**	298,257,161
Rail road sidings	23,337,859	-	-	-	-	-	-	-	**23,337,859**	(5,635,134)	-	(939,339)	**(6,574,473)**	16,763,386
Roads	2,320,765,583	96,975,704	(11,031,778)	-	-	-	-	-	**2,406,709,509**	(730,716,680)	2,661,238	(121,740,066)	**(849,795,508)**	1,556,914,001
Stormwater	3,004,338	-	-	-	-	-	-	-	**3,004,338**	(746,253)	-	(114,668)	**(860,921)**	2,143,417
Water metres	65,120,124	20,922,426	(31,027,339)	-	-	-	-	-	**55,015,211**	(15,822,916)	11,781,760	(3,836,049)	**(7,877,205)**	47,138,006
Water and Sanitation	1,785,764,027	-	-	-	-	-	-	-	**1,785,764,027**	(219,715,529)	-	(36,516,820)	**(256,232,349)**	1,529,531,678
Work in Progress	660,668,343	660,845,972	-	-	(96,975,704)	-	-	-	**1,224,538,611**	-	-	-	-	1,224,538,611
	5,934,011,744	**778,744,102**	**(42,059,117)**	**-**	**(96,975,704)**	**-**	**-**	**-**	**6,573,721,025**	**1,297,156,286)**	**14,442,998**	**(218,099,828)**	**1,500,813,116)**	**5,072,907,909**
Community Assets														
Parks	51,556,216	15,072,581	-	-	-	-	-	-	**66,628,797**	(11,918,710)	-	(3,194,989)	**(15,113,699)**	51,515,098
Fresh produce market	54,402,649	-	-	-	-	-	-	-	**54,402,649**	(24,516,724)	-	(3,414,421)	**(27,931,145)**	26,471,504
Landfill sites	28,776,844	4,115,866	-	-	-	-	-	-	**32,892,710**	(7,751,492)	-	(1,193,954)	**(8,945,446)**	23,947,264
Landfill sites	143,963,590	-	-	-	-	-	-	-	**143,963,590**	(74,495,046)	-	(4,686,772)	**(79,181,818)**	64,781,772
Quarry sites	258,085,200	-	-	-	-	-	-	-	**258,085,200**	(222,610,830)	-	(5,912,395)	**(228,523,225)**	29,561,975
Sport Grounds	69,856,581	17,100,801	-	-	-	-	-	-	**86,957,382**	(13,671,570)	-	(2,635,670)	**(16,307,240)**	70,650,142
Swimming pools	27,751,343	19,080,620	-	-	-	-	-	-	**46,831,963**	(9,629,769)	-	(1,760,936)	**(11,390,705)**	35,441,258
Stadiums	126,328,376	-	-	-	-	-	-	-	**126,328,376**	(38,397,479)	-	(6,439,349)	**(44,836,828)**	81,491,548
CCTV	54,751,766	-	-	-	-	-	-	-	**54,751,766**	(17,600,869)	-	(5,307,271)	**(22,908,140)**	31,843,626
Zoo	47,240,586	-	-	-	-	-	-	-	**47,240,586**	(11,164,521)	-	(2,061,237)	**(13,225,758)**	34,014,828
Zoo animals	3,629,154	3,100,473	(196,518)	-	-	-	-	-	**6,533,109**	(311,585)	15,569	(183,656)	**(479,672)**	6,053,437
Cemeteries	31,196,171	2,460,889	-	-	-	-	-	-	**33,657,060**	(8,583,834)	-	(1,922,571)	**(10,506,405)**	23,150,655
Hawker stalls	722,134	-	-	-	-	-	-	-	**722,134**	(96,268)	-	(32,940)	**(129,208)**	592,926
Environmental facilities	1,926,911	-	-	-	-	-	-	-	**1,926,911**	(602,077)	-	(120,439)	**(722,516)**	1,204,395
Council Dogs	61,500	-	-	-	-	-	-	-	**61,500**	(25,310)	-	(8,786)	**(34,096)**	27,404
Work in Progress	28,420,299	74,297,668	-	-	(42,758,175)	-	-	-	**59,959,792**	-	-	-	-	59,959,792
	928,669,320	**135,228,898**	**(196,518)**	**-**	**(42,758,175)**	**-**	**-**	**-**	**1,020,943,525**	**(441,376,084)**	**15,569**	**(38,875,386)**	**(480,235,901)**	**540,707,624**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	314,777,190	-	-	-	-	-	-	**2,302,810**	**317,080,000**	-	-	-	-	317,080,000
Nature reserve	3,892,105	-	-	-	-	-	-	-	**3,892,105**	-	-	-	-	3,892,105
Work in Progress	10,601,508	-	-	-	-	(9,917,272)	-	-	**684,236**	-	-	-	-	684,236
	329,270,803	**-**	**-**	**-**	**-**	**(9,917,272)**	**-**	**2,302,810**	**321,656,341**	**-**	**-**	**-**	**-**	**321,656,341**
Other assets														
Firearms	794,791	-	-	-	-	-	-	-	**794,791**	(183,138)	-	(33,725)	**(216,863)**	577,928
Motor vehicles	178,186,098	-	(10,478,044)	-	-	-	-	-	**167,708,054**	(46,015,956)	3,527,327	(5,151,670)	**(47,640,299)**	120,067,755
Tools, plant and equipment	12,108,423	-	-	-	-	-	-	-	**12,108,423**	(2,133,644)	-	(1,713,263)	**(3,846,907)**	8,261,516
Furniture and office equipment	16,129,380	16,279,462	(514)	-	-	-	-	-	**32,408,328**	(2,352,684)	154	(1,824,425)	**(4,176,955)**	28,231,373
Capitalised leased assets	19,693,170	144,627,016	-	-	-	-	-	-	**164,320,186**	(12,440,871)	-	(1,275,061)	**(13,715,932)**	150,604,254
	226,911,862	**160,906,478**	**(10,478,558)**	**-**	**-**	**-**	**-**	**-**	**377,339,782**	**(63,126,293)**	**3,527,481**	**(9,998,144)**	**(69,596,956)**	**307,742,826**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	2,196,444,443	73,695,773	-	**25,826,965**	(63,012,542)	-	-	-	**2,232,954,639**	(7,549,974)	-	(30,835,191)	**(38,385,165)**	2,194,569,474
Infrastructure	5,934,011,744	778,744,102	(42,059,117)	-	(96,975,704)	-	-	-	**6,573,721,025**	(1,297,156,286)	14,442,998	(218,099,828)	**(1,500,813,116)**	5,072,907,909
Community Assets	928,669,320	135,228,898	(196,518)	-	(42,758,175)	-	-	-	**1,020,943,525**	(441,376,084)	15,569	(38,875,386)	**(480,235,901)**	540,707,624
Heritage assets	329,270,803	-	-	-	-	(9,917,272)	-	**2,302,810**	**321,656,341**	-	-	-	-	321,656,341
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	226,911,862	160,906,478	(10,478,558)	-	-	-	-	-	**377,339,782**	(63,126,293)	3,527,481	(9,998,144)	**(69,596,956)**	307,742,826
	9,615,308,172	**1,148,575,251**	**(52,734,193)**	**25,826,965**	**(202,746,421)**	**(9,917,272)**	**-**	**2,302,810**	**10,526,615,312**	**(1,809,208,637)**	**17,986,048**	**(297,808,549)**	**(2,089,031,138)**	**8,437,584,174**
Intangible assets														
Computers - software & programming	11,365,776	1,653,581	-	-	-	-	-	-	**13,019,357**	(2,500,930)	-	(324,068)	**(2,824,998)**	10,194,359
Servitudes	305,707	-	-	-	-	-	-	-	**305,707**	-	-	-	-	305,707
	11,671,483	**1,653,581**	**-**	**-**	**-**	**-**	**-**	**-**	**13,325,064**	**(2,500,930)**	**-**	**(324,068)**	**(2,824,998)**	**10,500,066**
Investment properties														
Investment property	2,222,377,240	2,470,000	(1,414,000)	-	-	-	41,322,260	-	**2,264,755,500**	-	-	-	-	2,264,755,500
Work in Progress	-	2,613,363	-	-	-	-	-	-	**2,613,363**	-	-	-	-	2,613,363
	2,222,377,240	**5,083,363**	**(1,414,000)**	**-**	**-**	**-**	**41,322,260**	**-**	**2,267,368,863**	**-**	**-**	**-**	**-**	**2,267,368,863**
Total														
Land and buildings	2,196,444,443	73,695,773	-	**25,826,965**	(63,012,542)	-	-	-	**2,232,954,639**	(7,549,974)	-	(30,835,191)	**(38,385,165)**	2,194,569,474
Infrastructure	5,934,011,744	778,744,102	(42,059,117)	-	(96,975,704)	-	-	-	**6,573,721,025**	(1,297,156,286)	14,442,998	(218,099,828)	**(1,500,813,116)**	5,072,907,909
Community Assets	928,669,320	135,228,898	(196,518)	-	(42,758,175)	-	-	-	**1,020,943,525**	(441,376,084)	15,569	(38,875,386)	**(480,235,901)**	540,707,624
Heritage assets	329,270,803	-	-	-	-	(9,917,272)	-	**2,302,810**	**321,656,341**	-	-	-	-	321,656,341
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	226,911,862	160,906,478	(10,478,558)	-	-	-	-	-	**377,339,782**	(63,126,293)	3,527,481	(9,998,144)	**(69,596,956)**	307,742,826
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	11,671,483	1,653,581	-	-	-	-	-	-	**13,325,064**	(2,500,930)	-	(324,068)	**(2,824,998)**	10,500,066
Investment properties	2,222,377,240	5,083,363	(1,414,000)	-	-	-	41,322,260	-	**2,267,368,863**	-	-	-	-	2,267,368,863
	11,849,356,895	**1,155,312,195**	**(54,148,193)**	**25,826,965**	**(202,746,421)**	**(9,917,272)**	**41,322,260**	**2,302,810**	**12,807,309,239**	**(1,811,709,567)**	**17,986,048**	**(298,132,617)**	**(2,091,856,136)**	**10,715,453,103**

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	631,952,685	354,690,047	-	-	-	(121,000)	-	**32,088,807**	**1,018,610,539**	-	-	-	-	1,018,610,539
Buildings	875,364,728	95,089,272	-	-	-	-	(366,992)	**71,627,221**	**1,041,714,229**	-	-	(7,549,974)	**(7,549,974)**	1,034,164,255
Work in Progress	101,784,878	-	-	**77,521,208**	-	(43,186,411)	-	-	**136,119,675**	-	-	-	-	136,119,675
	1,609,102,291	**449,779,319**	**-**	**77,521,208**	**-**	**(43,307,411)**	**(366,992)**	**103,716,028**	**2,196,444,443**	**-**	**-**	**(7,549,974)**	**(7,549,974)**	**2,188,894,469**
Infrastructure														
Bridges	91,249,209	-	-	-	-	-	-	-	**91,249,209**	(6,851,094)	-	(1,405,305)	**(8,256,399)**	82,992,810
Intersections	45,584,823	-	-	-	-	-	-	-	**45,584,823**	(25,324,902)	-	(5,061,514)	**(30,386,416)**	15,198,407
Road Furniture	28,135,128	-	-	-	-	-	-	-	**28,135,128**	(13,795,266)	-	(1,021,775)	**(14,817,041)**	13,318,087
Street lighting	10,474,432	-	-	-	-	-	-	-	**10,474,432**	(2,277,050)	-	(455,098)	**(2,732,148)**	7,742,284
Sanitation	266,043,129	-	-	-	-	-	-	-	**266,043,129**	(58,528,239)	-	(11,532,372)	**(70,060,611)**	195,982,518
Side walks	173,172,011	-	-	-	-	-	-	-	**173,172,011**	(50,932,944)	-	(10,179,617)	**(61,112,561)**	112,059,450
Water	460,692,746	-	-	-	-	-	-	-	**460,692,746**	(114,538,436)	-	(22,616,161)	**(137,154,597)**	323,538,149
Rail road sidings	23,337,859	-	-	-	-	-	-	-	**23,337,859**	(4,696,481)	-	(938,653)	**(5,635,134)**	17,702,725
Roads	2,211,123,833	171,474,679	(61,832,930)	-	-	-	-	-	**2,320,765,582**	(653,308,975)	26,844,859	(104,252,563)	**(730,716,679)**	1,590,048,903
Stormwater	3,004,338	-	-	-	-	-	-	-	**3,004,338**	(631,668)	-	(114,585)	**(746,253)**	2,258,085
Water metres	57,766,284	7,353,840	-	-	-	-	-	-	**65,120,124**	(11,896,104)	-	(3,926,812)	**(15,822,916)**	49,297,208
Water and sanitation	1,773,205,696	12,558,331	-	-	-	-	-	-	**1,785,764,027**	(183,239,778)	-	(36,475,751)	**(219,715,529)**	1,566,048,498
Work in Progress	387,142,704	-	-	-	558,727,633	(285,201,994)	-	-	**660,668,343**	-	-	-	-	660,668,343
	5,530,932,192	**191,386,850**	**(61,832,930)**	**-**	**558,727,633**	**(285,201,994)**	**-**	**-**	**5,934,011,751**	**(1,126,020,937)**	**26,844,859**	**(197,980,206)**	**(1,297,156,284)**	**4,636,855,467**
Community Assets														
Parks	51,558,053	-	(1,837)	-	-	-	-	-	**51,556,216**	(10,120,040)	648	(1,799,318)	**(11,918,710)**	39,637,506
Fresh produce market	53,350,749	1,051,900	-	-	-	-	-	-	**54,402,649**	(20,659,424)	-	(3,857,300)	**(24,516,724)**	29,885,925
Landfill sites	22,347,526	6,460,674	(31,356)	-	-	-	-	-	**28,776,844**	(6,753,486)	22,075	(1,020,081)	**(7,729,417)**	21,025,352
Landfill sites	143,963,590	-	-	-	-	-	-	-	**143,963,590**	(69,928,025)	-	(4,567,021)	**(74,495,046)**	69,468,544
Quarry sites	258,085,200	-	-	-	-	-	-	-	**258,085,200**	(210,261,638)	-	(12,349,192)	**(222,610,830)**	35,474,370
Sports grounds	55,578,711	14,277,870	-	-	-	-	-	-	**69,856,581**	(11,171,387)	-	(2,500,183)	**(13,671,570)**	56,185,011
Swimming pools	27,751,343	-	-	-	-	-	-	-	**27,751,343**	(7,975,430)	-	(1,654,339)	**(9,629,769)**	18,121,574
Stadiums	126,328,376	-	-	-	-	-	-	-	**126,328,376**	(31,974,856)	-	(6,422,623)	**(38,397,479)**	87,930,897
CCTV	51,766,886	2,984,880	-	-	-	-	-	-	**54,751,766**	(12,455,340)	-	(5,145,529)	**(17,600,869)**	37,150,897
Zoo	47,240,586	-	-	-	-	-	-	-	**47,240,586**	(9,104,806)	-	(2,059,715)	**(11,164,521)**	36,076,065
Zoo Animals	3,769,761	543,203	(683,810)	-	-	-	-	-	**3,629,154**	(162,300)	27,436	(176,721)	**(284,149)**	3,317,569
Cemeteries	25,755,708	5,440,463	-	-	-	-	-	-	**31,196,171**	(13,506,166)	7,836,317	(2,913,985)	**(8,583,834)**	22,612,337
Hawker stalls	722,134	-	-	-	-	-	-	-	**722,134**	(72,213)	-	(24,055)	**(96,268)**	625,866
Environmental facilities	1,926,911	-	-	-	-	-	-	-	**1,926,911**	(481,728)	-	(120,349)	**(602,077)**	1,324,834
Council Dogs	61,500	-	-	-	-	-	-	-	**61,500**	(16,524)	-	(8,786)	**(25,310)**	36,190
Work in Progress	14,399,638	-	-	-	34,130,468	(20,109,808)	-	-	**28,420,298**	-	-	-	-	28,420,298
	884,606,672	**30,758,990**	**(717,003)**	**-**	**34,130,468**	**(20,109,808)**	**-**	**-**	**928,669,319**	**(404,643,363)**	**7,886,476**	**(44,619,197)**	**(441,326,573)**	**487,293,235**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	281,352,680	-	-	-	-	-	-	**33,424,510**	**314,777,190**	-	-	-	-	314,777,190
Nature Reserve	-	3,892,105	-	-	-	-	-	-	**3,892,105**	-	-	-	-	3,892,105
Work in Progress	-	-	-	-	10,601,508	-	-	-	**10,601,508**	-	-	-	-	10,601,508
	281,352,680	**3,892,105**	**-**	**-**	**10,601,508**	**-**	**-**	**33,424,510**	**329,270,803**	**-**	**-**	**-**	**-**	**329,270,803**
Other assets														
Firearms	797,752	-	(2,961)	-	-	-	-	-	**794,791**	(148,243)	817	(35,712)	**(182,321)**	611,653
Motor Vehicles	176,894,586	1,291,512	-	-	-	-	-	-	**178,186,098**	(40,663,258)	-	(5,352,698)	**(46,015,956)**	132,170,142
Tools, plant and equipment	5,381,313	16,957,631	(10,230,521)	-	-	-	-	-	**12,108,423**	(1,905,199)	1,615,544	(1,843,989)	**(2,133,644)**	9,974,779
Furniture and office equipment	26,505,540	16,302,644	(26,678,804)	-	-	-	-	-	**16,129,380**	(4,231,589)	4,705,246	(2,826,341)	**(2,352,684)**	13,776,696
Capitalised leased assets	13,413,482	6,279,688	-	-	-	-	-	-	**19,693,170**	(7,587,283)	-	(4,853,588)	**(12,440,871)**	7,252,299
	-	-	-	-	-	-	-	-	**-**	-	-	-	**-**	-
	222,992,673	**40,831,475**	**(36,912,286)**	**-**	**-**	**-**	**-**	**-**	**226,911,862**	**(54,535,572)**	**6,321,607**	**(14,912,328)**	**(63,125,476)**	**163,785,569**

Appendix B - (Audited)

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation									Accumulated depreciation				
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Transfers In Rand	WIP Transfers Out to Additions Rand	WIP Transfers Out to Other Asset Classes Rand	Fair value adjustments Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	1,609,102,291	449,779,319	-	**77,521,208**	-	(43,307,411)	(366,992)	**103,716,028**	**2,196,444,443**	-	-	(7,549,974)	**(7,549,974)**	2,188,894,469
Infrastructure	5,530,932,192	191,386,850	(61,832,930)	**-**	558,727,633	(285,201,994)	-	**-**	**5,934,011,751**	(1,126,020,937)	26,844,859	(197,980,206)	**(1,297,156,284)**	4,636,855,467
Community Assets	884,606,672	30,758,990	(717,003)	**-**	34,130,468	(20,109,808)	-	**-**	**928,669,319**	(404,643,363)	7,886,476	(44,619,197)	**(441,326,573)**	487,293,235
Heritage assets	281,352,680	3,892,105	-	**-**	10,601,508	-	-	**33,424,510**	**329,270,803**	-	-	-	**-**	329,270,803
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	222,992,673	40,831,475	(36,912,286)	**-**	-	-	-	**-**	**226,911,862**	(54,535,572)	6,321,607	(14,912,328)	**(63,125,476)**	163,785,569
	8,528,986,508	**716,648,739**	**(99,462,219)**	**77,521,208**	**603,459,609**	**(348,619,213)**	**(366,992)**	**137,140,538**	**9,615,308,178**	**(1,585,199,872)**	**41,052,942**	**(265,061,705)**	**(1,809,158,307)**	**7,806,099,543**
Intangible assets														
Computers - software & programming	9,700,947	1,664,829	-	**-**	-	-	-	**-**	**11,365,776**	(2,181,897)	-	(319,033)	**(2,500,930)**	8,864,846
Servitudes	32,000	273,707	-	**-**	-	-	-	**-**	**305,707**	-	-	-	**-**	305,707
	9,732,947	**1,938,536**	**-**	**-**	**-**	**-**	**-**	**-**	**11,671,483**	**(2,181,897)**	**-**	**(319,033)**	**(2,500,930)**	**9,170,553**
Investment properties														
Investment property	2,245,795,627	-	-	**-**	-	-	(23,418,387)	**-**	**2,222,377,240**	-	-	-	**-**	2,222,377,240
Work in Progress	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
	2,245,795,627	**-**	**-**	**-**	**-**	**-**	**(23,418,387)**	**-**	**2,222,377,240**	**-**	**-**	**-**	**-**	**2,222,377,240**
Total														
Land and buildings	1,609,102,291	449,779,319	-	**77,521,208**	-	(43,307,411)	(366,992)	**103,716,028**	**2,196,444,443**	-	-	(7,549,974)	**(7,549,974)**	2,188,894,469
Infrastructure	5,530,932,192	191,386,850	(61,832,930)	**-**	558,727,633	(285,201,994)	-	**-**	**5,934,011,751**	(1,126,020,937)	26,844,859	(197,980,206)	**(1,297,156,284)**	4,636,855,467
Community Assets	884,606,672	30,758,990	(717,003)	**-**	34,130,468	(20,109,808)	-	**-**	**928,669,319**	(404,643,363)	7,886,476	(44,619,197)	**(441,326,573)**	487,293,235
Heritage assets	281,352,680	3,892,105	-	**-**	10,601,508	-	-	**33,424,510**	**329,270,803**	-	-	-	**-**	329,270,803
Specialised vehicles	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Other assets	222,992,673	40,831,475	(36,912,286)	**-**	-	-	-	**-**	**226,911,862**	(54,535,572)	6,321,607	(14,912,328)	**(63,125,476)**	163,785,569
Agricultural/Biological assets	-	-	-	**-**	-	-	-	**-**	**-**	-	-	-	**-**	-
Intangible assets	9,732,947	1,938,536	-	**-**	-	-	-	**-**	**11,671,483**	(2,181,897)	-	(319,033)	**(2,500,930)**	9,170,553
Investment properties	2,245,795,627	-	-	**-**	-	-	(23,418,387)	**-**	**2,222,377,240**	-	-	-	**-**	2,222,377,240
	0,784,515,082	**718,587,275**	**(99,462,219)**	**77,521,208**	**603,459,609**	**(348,619,213)**	**(23,785,379)**	**137,140,538**	**1,849,356,901**	**(1,587,381,769)**	**41,052,942**	**(265,380,738)**	**(1,811,659,237)**	**0,037,647,336**

Appendix C - (Unaudited)

June 2014

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated Depreciation				
	Opening Balance	Additions	Additions through business combinations	Disposals	Transfers	Other changes, movements	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality												
Finance	236,860,975	161,446,957	-	(10,478,558)	-	-	**387,829,374**	(65,627,223)	3,527,481	(10,322,212)	**(72,421,954)**	315,407,420
Community &Social Libraries and archives	928,669,319	134,944,291	-	(196,518)	(42,758,175)	-	**1,020,658,917**	(441,376,083)	15,569	(38,875,386)	**(480,235,900)**	540,423,017
Planning and Development/Economic & Development plan	2,184,905,960	94,783,246	-	-	(37,185,580)	-	**2,242,503,626**	(7,549,974)	-	(30,835,191)	**(38,385,165)**	2,204,118,461
Infrastructural Services	4,083,127,601	757,821,676	-	(11,031,778)	-	-	**4,829,917,499**	(1,061,617,841)	2,661,238	(177,746,960)	**(1,236,703,563)**	3,593,213,936
Water/Solid Waste	1,850,884,151	20,922,426	-	(31,027,339)	(96,975,704)	-	**1,743,803,534**	(235,538,445)	11,781,760	(40,352,869)	**(264,109,554)**	1,479,693,980
	9,284,448,006	**1,169,918,596**	**-**	**(52,734,193)**	**(176,919,459)**	**-**	**0,224,712,950**	**(1,811,709,566)**	**17,986,048**	**(298,132,618)**	**(2,091,856,136)**	**8,132,856,814**

Appendix D - Unaudited
June 2014

Segmental Statement of Financial Performance for the year ended

Prior year ended 30 June 2013				Current year ended 30 June 2014		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
957,314,634	-	957,314,634	Property Rates	1,314,690,947	-	1,314,690,947
92	153,431,475	(153,431,383)	City Manager	2,462,255	180,657,596	(178,195,341)
5,837,016	210,060,430	(204,223,414)	Corporate services	6,612,285	192,291,085	(185,678,800)
104,301,407	137,656,351	(33,354,944)	Finance	131,075,155	153,798,399	(22,723,244)
4,761,002	53,072,518	(48,311,516)	Planning & Economic Development	6,719,791	100,311,061	(93,591,270)
12,521,706	274,560,899	(262,039,193)	Community & Social Services	94,379,105	287,522,186	(193,143,081)
13,201,337	63,215,029	(50,013,692)	Housing	5,925,944	83,708,682	(77,782,738)
295,491,631	602,756,502	(307,264,871)	Infrastructural Services	488,932,154	816,552,264	(327,620,110)
582,423,051	571,643,327	10,779,724	Water	692,278,756	616,190,152	76,088,604
-	-	-		-	-	-
18,746,080	16,853,010	1,893,070	Fresh Produce Market	20,935,957	13,423,072	7,512,885
-	21,789,242	(21,789,242)	Regional Operations	-	52,672,239	(52,672,239)
1,134,921,664	659,997,187	474,924,477	Miscellaneous	1,538,748,733	929,772,687	608,976,046
3,129,519,620	**2,765,035,970**	**364,483,650**		**4,302,761,082**	**3,426,899,423**	**875,861,659**

Appendix E(1) - (Audited)

Actual versus Budget(Revenue and Expenditure) for the year ended 2014

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	% Var
Revenue				
Property rates	969,482,446	750,766,825	218,715,621	29.1
Service charges	935,491,481	881,870,470	53,621,011	6.1
Rental of facilities and equipment	20,415,882	23,504,296	(3,088,414)	(13.1)
Interest received	420,889,744	390,493,087	30,396,657	7.8
Income from agency services	100,666,986	103,514,402	(2,847,416)	(2.8)
Licences and permits	433,435	843,296	(409,861)	(48.6)
Government grants & subsidies	1,722,782,784	1,811,838,986	(89,056,202)	(4.9)
Fines	77,361,862	7,408,202	69,953,660	944.3
Other income	55,236,462	48,667,638	6,568,824	13.5
	4,302,761,082	**4,018,907,202**	**283,853,880**	7.1
Expenses				
Employee related costs	(1,029,344,532)	(1,091,410,969)	62,066,437	5.7
Remuneration of councillors	(47,106,731)	(48,638,326)	1,531,595	3.1
Depreciation & Amortisation	(292,481,839)	(295,106,619)	2,624,780	0.9
Debt Impairment	(569,684,182)	(135,836,651)	(433,847,531)	(319.4)
Finance costs	(145,596,732)	(188,658,178)	43,061,446	25.9
Repairs and maintenance	(203,199,665)	(266,001,652)	62,801,987	23.6
Bulk purchases	(382,809,314)	(352,367,015)	(30,442,299)	(8.6)
Contracted Services	(182,965,346)	(206,089,600)	23,124,254	11.2
Grants and subsidies paid	(100,271,760)	(129,941,986)	29,670,226	22.8
General Expenses	(431,935,144)	(500,831,874)	68,896,730	12.6
	(3,385,395,245)	**(3,214,882,870)**	**(170,512,375)**	5.3
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(27,476,746)	-	(27,476,746)	-
Gain or loss on fair value adjustments on assets	41,322,260	-	41,322,260	-
Fair value adjustments	(56,770,967)	11,236,000	(68,006,967)	(605.3)
Gains or losses on biological assets and agricultural produce	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	1,421,276	158,721,500	(157,300,224)	(99.1)
	(41,504,177)	**169,957,500**	**(211,461,677)**	(124.4)
Net surplus/ (deficit) for the year	**875,861,660**	**973,981,832**	**(98,120,172)**	(10.1)

Appendix E(2) - (Audited)
June 2014

Actual versus Budget (Acquisition of Property, Plant and Equipment) as at 30 June 2014

	Additions Rand	Adjustment Budget Rand	Variance Rand	Variance %
Municipality				
Finance	2,975,293	4,000,000	1,024,707	**26**
Economic Development and Planning	70,786,446	72,499,512	1,713,066	**2**
Corporate Services	54,206,573	63,914,946	9,708,373	**15**
Community & Social Services	38,186,039	48,572,061	10,386,022	**21**
Human Settlement and Housing	6,166,715	13,251,353	7,084,638	**53**
Fresh Produce Market	-	1,700,000	1,700,000	**100**
Engineering services	411,673,469	530,359,410	118,685,941	**22**
Water Services	249,009,469	289,833,179	40,823,710	**14**
Strategic Projects and Service Delivery	2,090,195	5,100,000	3,009,805	**59**
	835,094,199	**1,029,230,461**	**194,136,262**	**19**

Appendix F - (Unaudited)
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Equitable share	National	252,113,000	185,683,000	167,276,000	-	189,084,750	155,869,750	134,660,500	125,457,000
Public Transport Infrastructure & System Grant	National	5,000,000	10,000,000	5,000,000	-	2,603,624	4,125,000	16,679,921	3,647,528
DWAF Grant Water Conservation	National	-	-	5,651,385	1,477,994	1,355,282	(1,280,284)	6,551,699	957,698
MIG Grant -Infrastructural Services	National	-	-	-	-	-	-	-	-
MIG Grant Capacity Building	National	-	-	-	-	-	-	-	-
Financial Management Grant	National	1,500,000	-	-	-	229,062	1,173,944	87,123	9,871
Municipal System Improvement Grant	National	-	-	-	-	-	-	-	-
National Electrification Program Grant	National	17,000,000	-	25,000,000	-	-	17,000,000	-	25,000,000
Electricity Demand Side Management Grant	National	-	-	8,000,000	-	-	-	-	8,000,000
Urban Settlment Development Grant	National	-	387,867,350	208,851,650	-	84,790,048	167,908,825	105,324,101	291,720,533
Fuel levy	National	81,007,000	81,007,000	81,008,000	-	48,604,200	59,405,133	74,256,667	60,756,000
EPWP Grant	National	1,558,000	1,169,000	1,169,000	-	-	823,745	1,287,217	5,707,882
Sustainable Human Settlement Support Grant	National	-	25,000,000	75,000,000	-	-	370,710	12,931,429	59,539,452
Department Water Affairs Grant	National	2,300,000	2,300,000	2,300,000	-	882,621	3,815,363	2,146,592	6,055,424
CHAN 2014 National Sport and Recreation Grant	National	-	28,500,000	-	-	10,576	17,040,014	11,449,409	-
DBSA Grant Capacity Building Programme	National	-	-	-	-	-	-	234,104	-
Motheo Contr- Enviromental Health	National	-	-	-	-	-	-	-	466,705
2010 Stadia Provincial Grant	Provincial	-	-	-	-	-	-	-	6,419,794
Housing Accreditation Subsidy	Provincial	-	-	5,000,000	-	-	-	-	1,386,002
CCTV For BFN CBD Stadium Navil Hill	Provincial	-	-	-	-	-	-	3,192,004	-
Provincial Grant -Urban Renewal	Provincial	-	-	-	-	-	-	280,553	-
Upgrading Housing Batho	Provincial	-	-	-	-	-	1,013,770	480,130	73,199
Provincial Grant Upgrading Roads in Batho	Provincial	-	-	-	-	-	-	-	4,476
Provincial Grant Township Establishment Caleb Motshabi	Provincial	-	-	-	-	-	-	135,964	-
City Of Ghent	City Of Ghent	-	303,990	-	-	86,000	173,726	229,282	1,507
Provincial Grant - Batho Car Wash	Provincial	-	-	-	-	-	-	-	60,000
		360,478,000	721,830,340	584,256,035	1,477,994	327,646,163	427,439,696	369,926,695	595,263,071

Appendix G1 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June, 2014

	2014/2013										2013/2012		
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Restated Audited Outcome (Rand)
Revenue - Standard													
Governance and administration	**2,592,767,227**	**411,299,818**	**3,004,067,045**	**-**	**3,004,067,045**	**2,990,845,065**		**(13,221,980)**	**100 %**	**115 %**			**2,210,025,091**
Executive and council	1,552,772	1,000,000	2,552,772	-	2,552,772	1,367,708		(1,185,064)	54 %	88 %			-
Budget and treasury office	2,420,980,635	410,299,818	2,831,280,453	-	2,831,280,453	2,986,508,883		155,228,430	105 %	123 %			2,196,560,978
Corporate services	170,233,820	-	170,233,820	-	170,233,820	2,968,474		(167,265,346)	2 %	2 %			13,464,113
Community and public safety	**30,238,293**	**1,840,000**	**32,078,293**	**-**	**32,078,293**	**93,765,675**		**61,687,382**	**292 %**	**310 %**			**18,056,554**
Community and social services	5,069,064	-	5,069,064	-	5,069,064	4,882,275		(186,789)	96 %	96 %			4,970,945
Sport and recreation	2,334,117	-	2,334,117	-	2,334,117	1,694,295		(639,822)	73 %	73 %			1,436,738
Public safety	8,350,496	1,840,000	10,190,496	-	10,190,496	78,570,554		68,380,058	771 %	941 %			5,563,686
Housing	14,162,254	-	14,162,254	-	14,162,254	8,614,020		(5,548,234)	61 %	61 %			6,082,353
Health	322,362	-	322,362	-	322,362	4,531		(317,831)	1 %	1 %			2,832
Economic and environmental services	**8,253,502**	**-**	**8,253,502**	**-**	**8,253,502**	**6,912,343**		**(1,341,159)**	**84 %**	**84 %**			**6,832,942**
Planning and development	5,910,368	-	5,910,368	-	5,910,368	5,842,598		(67,770)	99 %	99 %			4,772,881
Road transport	2,172,062	-	2,172,062	-	2,172,062	955,651		(1,216,411)	44 %	44 %			1,920,703
Environmental protection	171,072	-	171,072	-	171,072	114,094		(56,978)	67 %	67 %			139,358
Trading services	**1,072,336,317**	**51,558,955**	**1,123,895,272**	**-**	**1,123,895,272**	**1,181,210,909**		**57,315,637**	**105 %**	**110 %**			**876,814,158**
Water	668,128,541	32,613,963	700,742,504	-	700,742,504	692,278,756		(8,463,748)	99 %	104 %			582,423,051
Waste water management	213,496,202	2,496,906	215,993,108	-	215,993,108	273,968,569		57,975,461	127 %	128 %			147,968,845
Waste management	190,711,574	16,448,086	207,159,660	-	207,159,660	214,963,584		7,803,924	104 %	113 %			146,422,262
Other	**19,515,750**	**1,054,840**	**20,570,590**	**-**	**20,570,590**	**30,027,092**		**9,456,502**	**146 %**	**154 %**			**-**
Other	19,515,750	1,054,840	20,570,590	-	20,570,590	30,027,092		9,456,502	146 %	154 %			19,157,519
Total Revenue - Standard	**3,723,111,089**	**465,753,613**	**4,188,864,702**	**-**	**4,188,864,702**	**4,302,761,084**		**113,896,382**	**103 %**	**116 %**			**3,130,886,264**

Appendix G1 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June, 2014

	2014/2013												2013/2012
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Restated Audited Outcome (Rand)
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard													
Governance and administration	**1,289,265,929**	**54,416,130**	**1,343,682,059**	**-**	**1,343,682,059**	**1,624,293,434**	**-**	**280,611,375**	**121 %**	**126 %**	**-**	**-**	**1,018,146,828**
Executive and council	271,778,267	42,822,237	314,600,504	-	314,600,504	245,597,067	-	(69,003,437)	78 %	90 %	-	-	195,338,063
Budget and treasury office	695,324,401	4,072,441	699,396,842	-	699,396,842	1,073,752,557	-	374,355,715	154 %	154 %	-	-	563,086,618
Corporate services	322,163,261	7,521,452	329,684,713	-	329,684,713	304,943,810	-	(24,740,903)	92 %	95 %	-	-	259,722,147
Community and public safety	**416,150,008**	**4,978,560**	**421,128,568**	**-**	**421,128,568**	**351,126,560**	**-**	**(70,002,008)**	**83 %**	**84 %**	**-**	**-**	**320,816,264**
Community and social services	122,784,388	1,461,730	124,246,118	-	124,246,118	98,216,661	-	(26,029,457)	79 %	80 %	-	-	94,470,563
Sport and recreation	42,671,512	(30,000)	42,641,512	-	42,641,512	24,198,706	-	(18,442,806)	57 %	57 %	-	-	29,446,530
Public safety	179,115,859	502,060	179,617,919	-	179,617,919	160,185,214	-	(19,432,705)	89 %	89 %	-	-	152,799,706
Housing	59,030,974	3,061,000	62,091,974	-	62,091,974	58,666,127	-	(3,425,847)	94 %	99 %	-	-	34,910,556
Health	12,547,275	(16,230)	12,531,045	-	12,531,045	9,859,852	-	(2,671,193)	79 %	79 %	-	-	9,188,909
Economic and environmental services	**424,701,896**	**7,786,928**	**432,488,824**	**-**	**432,488,824**	**553,119,786**	**-**	**120,630,962**	**128 %**	**130 %**	**-**	**-**	**355,424,293**
Planning and development	89,877,834	3,805,728	93,683,562	-	93,683,562	92,369,753	-	(1,313,809)	99 %	103 %	-	-	45,474,640
Road transport	312,529,143	4,191,200	316,720,343	-	316,720,343	444,321,198	-	127,600,855	140 %	142 %	-	-	295,886,404
Environmental protection	22,294,919	(210,000)	22,084,919	-	22,084,919	16,428,835	-	(5,656,084)	74 %	74 %	-	-	14,063,249
Trading services	**934,415,953**	**64,415,749**	**998,831,702**	**-**	**998,831,702**	**884,650,063**	**-**	**(114,181,639)**	**89 %**	**95 %**	**-**	**-**	**788,035,892**
Water	623,745,812	50,656,811	674,402,623	-	674,402,623	616,190,152	-	(58,212,471)	91 %	99 %	-	-	537,454,272
Waste water management	185,684,872	8,000,000	193,684,872	-	193,684,872	124,673,766	-	(69,011,106)	64 %	67 %	-	-	149,669,228
Waste management	124,985,269	5,758,938	130,744,207	-	130,744,207	143,786,145	-	13,041,938	110 %	115 %	-	-	100,912,392
Other	**18,804,717**	**(53,000)**	**18,751,717**	**-**	**18,751,717**	**13,709,582**	**-**	**(5,042,135)**	**73 %**	**73 %**	**-**	**-**	**-**
Other	18,804,717	(53,000)	18,751,717	-	18,751,717	13,709,582	-	(5,042,135)	73 %	73 %	-	-	17,147,153
Total Expenditure - Standard	**3,083,338,503**	**131,544,367**	**3,214,882,870**	**-**	**3,214,882,870**	**3,426,899,425**	**-**	**212,016,555**	**107 %**	**111 %**	**-**	**-**	**2,499,570,430**
Surplus/(Deficit) for the year	**639,772,586**	**334,209,246**	**973,981,832**	**-**	**973,981,832**	**875,861,659**		**(98,120,173)**	**90 %**	**137 %**			**631,315,834**

Appendix G2 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June, 2014

	2014/2013											2013/2012		
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA (Rand)	Restated Audited Outcome (Rand)
Revenue by Vote														
Property Rates	913,732,713	182,242,613	1,095,975,326	-		1,095,975,326	1,314,690,947		218,715,621	120 %	144 %			-
City Manager	-	-	-	-		-	(2,462,255)		(2,462,255)	DIV/0 %	DIV/0 %			-
Corporate Services	11,511,836	-	11,511,836	-		11,511,836	6,612,285		(4,899,551)	57 %	57 %			-
Finance	128,709,367	-	128,709,367	-		128,709,367	131,075,155		2,365,788	102 %	102 %			-
Community & Social Development	15,575,132	1,840,000	17,415,132	-		17,415,132	94,379,105		76,963,973	542 %	606 %			-
Economic Development & Planning	5,910,368	1,000,000	6,910,368	-		6,910,368	6,719,791		(190,577)	97 %	114 %			-
Fresh Produce Market	19,142,905	1,054,840	20,197,745	-		20,197,745	20,935,957		738,212	104 %	109 %			-
Infrastructural Services	405,547,827	18,944,992	424,492,819	-		424,492,819	488,932,154		64,439,335	115 %	121 %			-
Water	668,128,541	32,613,963	700,742,504	-		700,742,504	692,278,756		(8,463,748)	99 %	104 %			-
Miscellaneous Services	1,383,898,717	221,602,189	1,605,500,906	6,455,016		1,611,955,922	1,526,414,421		(85,541,501)	95 %	110 %			-
Housing	175,610,754	-	175,610,754	-		175,610,754	5,925,944		(169,684,810)	3 %	3 %			-
Regional Operations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
Total Revenue by Vote	**3,727,768,160**	**459,298,597**	**4,187,066,757**	**6,455,016**		**4,193,521,773**	**4,285,502,260**		**91,980,487**	**102 %**	**115 %**			**-**
Expenditure by Vote to be appropriated														
Property Rates	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
City Manager	205,038,153	-	205,038,153	-	-	205,038,153	180,657,596	-	(24,380,557)	88 %	88 %	-	-	-
Corporate Services	273,910,866	5,533,452	279,444,318	-	-	279,444,318	192,291,085	-	(87,153,233)	69 %	70 %	-	-	-
Finance	187,575,266	(12,673,962)	174,901,304	-	-	174,901,304	153,798,399	-	(21,102,905)	88 %	82 %	-	-	-
Community and Social Development	340,417,562	1,450,000	341,867,562	-	-	341,867,562	287,522,186	-	(54,345,376)	84 %	84 %	-	-	-
Economic Development and Planning	100,934,405	5,119,128	106,053,533	-	-	106,053,533	100,311,061	-	(5,742,472)	95 %	99 %	-	-	-
Fresh Produce Market	18,428,216	-	18,428,216	-	-	18,428,216	13,423,072	-	(5,005,144)	73 %	73 %	-	-	-
Infrastructural Services	668,370,489	18,258,938	686,629,427	-	-	686,629,427	816,552,264	-	129,922,837	119 %	122 %	-	-	-
Water	623,745,812	50,656,811	674,402,623	-	-	674,402,623	616,190,152	-	(58,212,471)	91 %	99 %	-	-	-
Miscellaneous Services	520,733,678	23,700,000	544,433,678	-	-	544,433,678	912,513,860	-	368,080,182	168 %	175 %	-	-	-
Housing	94,278,918	3,000,000	97,278,918	-	-	97,278,918	83,708,682	-	(13,570,236)	86 %	89 %	-	-	-
Regional Operations	54,562,209	36,500,000	91,062,209	-	-	91,062,209	52,672,239	-	(38,389,970)	58 %	97 %	-	-	-
Total Expenditure by Vote	**3,087,995,574**	**131,544,367**	**3,219,539,941**	**-**	**-**	**3,219,539,941**	**3,409,640,596**	**-**	**190,100,655**	**106 %**	**110 %**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**639,772,586**	**327,754,230**	**967,526,816**	**6,455,016**		**973,981,832**	**875,861,664**		**(98,120,168)**	**90 %**	**137 %**			**-**

Appendix G3 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
Revenue By Source															
Property rates	568,524,212	182,242,613	750,766,825	-		750,766,825	969,482,446		218,715,621	129 %	171 %				514,177,402
Service charges - water revenue	589,873,037	32,613,963	622,487,000	-		622,487,000	612,264,311		(10,222,689)	98 %	104 %				514,366,577
Service charges - sanitation revenue	143,042,961	2,496,906	145,539,867	-		145,539,867	201,495,760		55,955,893	138 %	141 %				143,926,522
Service charges - refuse revenue	97,395,517	16,448,086	113,843,603	-		113,843,603	121,731,410		7,887,807	107 %	125 %				59,876,719
Rental of facilities and equipment	-	116,970	116,970	-		116,970	-		(116,970)	- %	DIV/0 %				-
Interest earned - external investments	33,221,020	-	33,221,020	-		33,221,020	35,014,625		1,793,605	105 %	105 %				37,012,542
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	5,568,202	1,840,000	7,408,202	-		7,408,202	77,361,862		69,953,660	1,044 %	1,389 %				3,828,695
Licences and permits	843,296	-	843,296	-		843,296	433,435		(409,861)	51 %	51 %				431,226
Agency services	3,130,825	-	3,130,825	-		3,130,825	-		(3,130,825)	- %	- %				-
Transfers recognised - operational	654,372,000	46,568,066	700,940,066	-		700,940,066	691,093,953		(9,846,113)	99 %	106 %				621,582,295
Other revenue	786,687,809	937,870	787,625,679	-		787,625,679	747,940,916		(39,684,763)	95 %	95 %				722,998,363
Gains on disposal of PPE	158,721,500	-	158,721,500	-		158,721,500	39,790,136		(118,931,364)	25 %	25 %				(22,054,477)
Total Revenue (excluding capital transfers and contributions)	**3,041,380,379**	**283,264,474**	**3,324,644,853**	**-**		**3,324,644,853**	**3,496,608,854**		**171,964,001**	**105 %**	**115 %**				**2,596,145,864**

Appendix G3 - (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	1,074,893,747	(80,000)	1,074,813,747	-	-	1,074,813,747	1,004,394,287	-	(70,419,460)	93 %	93 %	-	-	-	908,723,141
Remuneration of councillors	48,638,326	-	48,638,326	-	-	48,638,326	47,106,731	-	(1,531,595)	97 %	97 %	-	-	-	43,610,235
Debt impairment	135,836,651	-	135,836,651		-	135,836,651	569,684,182	-	433,847,531	419 %	419 %	-	-	-	312,535,096
Depreciation & asset impairment	295,106,619	-	295,106,619		-	295,106,619	292,481,839	-	(2,624,780)	99 %	99 %	-	-	-	258,468,908
Finance charges	185,358,178	3,300,000	188,658,178	-	-	188,658,178	145,456,249	-	(43,201,929)	77 %	78 %	-	-	-	124,256,174
Bulk purchases	352,367,015	-	352,367,015	-	-	352,367,015	382,809,314	-	30,442,299	109 %	109 %	-	-	-	336,562,227
Other Materials	220,752,865	45,567,800	266,320,665	-	-	266,320,665	203,199,665	-	(63,121,000)	76 %	92 %	-	-	-	139,511,811
Transfers and grants	121,570,986	8,000,000	129,570,986	-	-	129,570,986	100,271,760	-	(29,299,226)	77 %	82 %	-	-	-	38,841,179
Other expenditure	653,471,187	74,756,567	728,227,754	-	-	728,227,754	664,236,572	-	(63,991,182)	91 %	102 %	-	-	-	470,396,060
Total Expenditure	**3,087,995,574**	**131,544,367**	**3,219,539,941**	**-**	**-**	**3,219,539,941**	**3,409,640,599**	**-**	**190,100,658**	**106 %**	**110 %**	**-**	**-**	**-**	**2,597,247,126**
Surplus/(Deficit)	**(46,615,195)**	**151,720,107**	**105,104,912**	**-**		**105,104,912**	**86,968,255**		**(18,136,657)**	**83 %**	**(187)%**				**(1,101,262)**
Transfers recognised - capital	686,387,781	176,034,123	862,421,904	-		862,421,904	788,893,404		(73,528,500)	91 %	115 %				436,900,324
Surplus/(Deficit) after capital transfers & contributions	**639,772,586**	**327,754,230**	**967,526,816**	**-**		**967,526,816**	**875,861,659**		**(91,665,157)**	**91 %**	**137 %**				**435,799,062**

Appendix G4 - (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June, 2014

	2014/2013											2013/2012			
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
Capital expenditure - Vote Multi-year expenditure															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	26,000,000	-	26,000,000	-	-	26,000,000	12,347,007	-	(13,652,993)	47 %	47 %	-	-	-	-
Vote 4 - Finance	500,000	-	500,000	-	-	500,000	902,669	-	402,669	181 %	181 %	-	-	-	-
Vote 5 - Social Services	24,484,000	(14,474,000)	10,010,000	-	-	10,010,000	6,085,443	-	(3,924,557)	61 %	25 %	-	-	-	-
Vote 6 - Planning	42,835,000	47,000	42,882,000	-	-	42,882,000	41,031,639	-	(1,850,361)	96 %	96 %	-	-	-	-
Vote 7 - Human Settlement and Housing	8,000,000	(2,235,000)	5,765,000	-	-	5,765,000	-	-	(5,765,000)	- %	- %	-	-	-	-
Vote 8 - Fresh Produce Market	1,000,000	-	1,000,000	-	-	1,000,000	-	-	(1,000,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	274,674,396	63,752,000	338,426,396	-	-	338,426,396	286,686,156	-	(51,740,240)	85 %	104 %	-	-	-	-
Vote 10 - Water Services	162,000,000	81,529,000	243,529,000	-	-	243,529,000	169,574,792	-	(73,954,208)	70 %	105 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	**539,493,396**	**128,619,000**	**668,112,396**	**-**	**-**	**668,112,396**	**516,627,706**	**-**	**(151,484,690)**	**77 %**	**96 %**	**-**	**-**	**-**	**-**
Single-year expenditure															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	6,584,540	31,330,000	37,914,540	-	-	37,914,540	42,530,204	-	4,615,664	112 %	646 %	-	-	-	-
Vote 4 - Finance	1,500,000	2,000,000	3,500,000	-	-	3,500,000	2,810,847	-	(689,153)	80 %	187 %	-	-	-	-
Vote 5 - Social Services	5,300,000	33,262,000	38,562,000	-	-	38,562,000	32,100,596	-	(6,461,404)	83 %	606 %	-	-	-	-
Vote 6 - Planning	14,410,000	12,308,000	26,718,000	-	-	26,718,000	30,096,507	-	3,378,507	113 %	209 %	-	-	-	-
Vote 7 - Human Settlement and Housing	500,000	6,986,000	7,486,000	-	-	7,486,000	6,166,715	-	(1,319,285)	82 %	1,233 %	-	-	-	-
Vote 8 - Fresh Produce Market	700,000	-	700,000	-	-	700,000	-	-	(700,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	116,524,061	75,409,000	191,933,061	-	-	191,933,061	152,400,563	-	(39,532,498)	79 %	131 %	-	-	-	-
Vote 10 - Water Services	16,388,347	29,916,000	46,304,347	-	-	46,304,347	79,100,692	-	32,796,345	171 %	483 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	8,000,000	-	8,000,000	-	-	8,000,000	2,090,195	-	(5,909,805)	26 %	26 %	-	-	-	-
Capital single-year expenditure sub-total	**169,906,948**	**191,211,000**	**361,117,948**	**-**	**-**	**361,117,948**	**347,296,319**	**-**	**(13,821,629)**	**96 %**	**204 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**709,400,344**	**319,830,000**	**1,029,230,344**	**-**	**-**	**1,029,230,344**	**863,924,025**	**-**	**(165,306,319)**	**84 %**	**122 %**	**-**	**-**	**-**	**-**

Appendix G4 - (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June, 2014

	2014/2013												2013/2012		
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**64,393,128**	**25,117,000**	**89,510,128**	**-**	**-**	**89,510,128**	**76,056,421**	**-**	**(13,453,707)**	**85 %**	**118 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	2,000,000	2,000,000	4,000,000	-	-	4,000,000	3,713,516	-	(286,484)	93 %	186 %	-	-	-	-
Corporate services	62,393,128	23,117,000	85,510,128	-	-	85,510,128	72,342,905	-	(13,167,223)	85 %	116 %	-	-	-	-
Community and public safety	**42,384,000**	**31,338,000**	**73,722,000**	**-**	**-**	**73,722,000**	**55,140,127**	**-**	**(18,581,873)**	**75 %**	**130 %**	**-**	**-**	**-**	**-**
Community and social services	22,484,000	8,845,000	31,329,000	-	-	31,329,000	26,237,102	-	(5,091,898)	84 %	117 %	-	-	-	-
Sport and recreation	12,100,000	6,434,000	18,534,000	-	-	18,534,000	11,624,235	-	(6,909,765)	63 %	96 %	-	-	-	-
Public safety	7,300,000	9,443,000	16,743,000	-	-	16,743,000	11,482,232	-	(5,260,768)	69 %	157 %	-	-	-	-
Housing	500,000	6,616,000	7,116,000	-	-	7,116,000	5,796,558	-	(1,319,442)	81 %	1,159 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**181,837,388**	**45,460,000**	**227,297,388**	**-**	**-**	**227,297,388**	**231,401,441**	**-**	**4,104,053**	**102 %**	**127 %**	**-**	**-**	**-**	**-**
Planning and development	65,245,000	9,412,000	74,657,000	-	-	74,657,000	73,218,341	-	(1,438,659)	98 %	112 %	-	-	-	-
Road transport	116,592,388	35,548,000	152,140,388	-	-	152,140,388	157,716,395	-	5,576,007	104 %	135 %	-	-	-	-
Environmental protection	-	500,000	500,000	-	-	500,000	466,705	-	(33,295)	93 %	DIV/0 %	-	-	-	-
Trading services	**419,085,828**	**215,000,000**	**634,085,828**	**-**	**-**	**634,085,828**	**501,326,034**	**-**	**(132,759,794)**	**79 %**	**120 %**	**-**	**-**	**-**	**-**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	178,388,347	111,445,000	289,833,347	-	-	289,833,347	248,675,483	-	(41,157,864)	86 %	139 %	-	-	-	-
Waste water management	227,147,481	94,596,000	321,743,481	-	-	321,743,481	241,891,407	-	(79,852,074)	75 %	106 %	-	-	-	-
Waste management	13,550,000	8,959,000	22,509,000	-	-	22,509,000	10,759,144	-	(11,749,856)	48 %	79 %	-	-	-	-
Other	**1,700,000**	**2,943,000**	**4,643,000**	**-**	**-**	**4,643,000**	**-**	**-**	**(4,643,000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Other	1,700,000	2,943,000	4,643,000	-	-	4,643,000	-	-	(4,643,000)	- %	- %	-	-	-	-
Total Capital Expenditure - Standard	**709,400,344**	**319,858,000**	**1,029,258,344**	**-**	**-**	**1,029,258,344**	**863,924,023**	**-**	**(165,334,321)**	**84 %**	**122 %**	**-**	**-**	**-**	**-**
Funded by:															
National Government	540,615,000	136,337,613	676,952,613	-		676,952,613	686,605,000		9,652,387	101 %	127 %				-
Provincial Government	43,773,000	39,696,510	83,469,510	-		83,469,510	80,833,000		(2,636,510)	97 %	185 %				-
District Municipality	-	-	-	-		-	467,000		467,000	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	20,000		20,000	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	**584,388,000**	**176,034,123**	**760,422,123**	**-**		**760,422,123**	**767,925,000**		**7,502,877**	**101 %**	**131 %**				**-**
Public contributions & donations	-	-	-	-		-	25,246,000		25,246,000	DIV/0 %	DIV/0 %				-
Borrowing	36,684,000	2,722,000	39,406,000	-		39,406,000	33,476,000		(5,930,000)	85 %	91 %				-
Internally generated funds	88,328,344	141,073,994	229,402,338	-		229,402,338	258,977,000		29,574,662	113 %	293 %				-
Total Capital Funding	**709,400,344**	**319,830,117**	**1,029,230,461**	**-**		**1,029,230,461**	**1,085,624,000**		**56,393,539**	**105 %**	**153 %**				**-**

Appendix G5 - (Unaudited)
Budgeted Cash Flows
for the year ended 30 June, 2014

	2014/2013								2013
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome (Restated)
Cash flow from operating activities									
Receipts									
Ratepayers and other	2,011,311,578	21,011,386	2,032,322,964	2,032,322,964	1,191,366,827	(840,956,137)	59 %	59 %	4,200,134,229
Government - operating	1,238,759,781	92,719,592	1,331,479,373	1,331,479,373	683,418,702	(648,060,671)	51 %	55 %	621,582,295
Government - capital	-	-	-	-	868,343,907	868,343,907	DIV/0 %	DIV/0 %	436,900,324
Interest	148,821,870	-	148,821,870	148,821,870	149,147,828	325,958	100 %	100 %	37,012,542
Payments									
Suppliers and employees	(2,655,902,962)	(151,438,134)	(2,807,341,096)	(2,807,341,096)	(2,105,704,836)	701,636,260	75 %	79 %	3,401,092,081
Finance charges	49,009,049	(3,300,000)	45,709,049	45,709,049	(116,260,720)	(161,969,769)	(254)%	(237)%	124,256,174
Transfers and Grants	(121,888,986)	(8,000,000)	(129,888,986)	(129,888,986)	-	129,888,986	- %	- %	38,841,179
Net cash flow from/used operating activities	**670,110,330**	**(49,007,156)**	**621,103,174**	**621,103,174**	**670,311,708**	**49,208,534**	**108 %**	**100 %**	**8,859,818,824**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	(899,100)	-	(899,100)	(899,100)	-	899,100	- %	- %	(58,379,284)
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(1,668,894)
Decrease (increase) other non-current receivables	55,000,000	-	55,000,000	55,000,000	(248,241,313)	(303,241,313)	(451)%	(451)%	218,278,582
Finance cost	-	-	-	-	271,741,916	271,741,916	DIV/0 %	DIV/0 %	153,342,782
Payments									
Capital assets	(536,202,602)	(248,246,552)	(784,449,154)	(784,449,154)	(943,732,971)	(159,283,817)	120 %	176 %	297,025,755
Net cash flow from/used investing activities	**(482,101,702)**	**(248,246,552)**	**(730,348,254)**	**(730,348,254)**	**(920,232,368)**	**(189,884,114)**	**126 %**	**191 %**	**608,598,941**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	2,391,165
Borrowing long term/refinancing	40,393,583	4,500,000	44,893,583	44,893,583	124,092,622	79,199,039	276 %	307 %	195,278,932
Increase (decrease) in consumer deposits	6,000,000	-	6,000,000	6,000,000	852,301	(5,147,699)	14 %	14 %	774,949
Payments									
Repayment of borrowing	(35,000,000)	-	(35,000,000)	(35,000,000)	-	35,000,000	- %	- %	-
Net cash flow from/used financing activities	**11,393,583**	**4,500,000**	**15,893,583**	**15,893,583**	**124,944,923**	**109,051,340**	**786 %**	**1,097 %**	**198,445,046**
Net increase/(decrease) in cash held	**199,402,211**	**(292,753,708)**	**(93,351,497)**	**(93,351,497)**	**(124,975,737)**	**(31,624,240)**	**134 %**	**(63)%**	**9,666,862,811**
Cash/cash equivalents at the year begin:					257,366,261				178,976,851
Cash/cash equivalents at the year end:	**199,402,211**	**(292,753,708)**	**(93,351,497)**	**(93,351,497)**	**132,390,524**	**(31,624,240)**	**(142)%**	**66 %**	

Mangaung Metropolitan Municipality
Appendix H - (Audited)
Councillors arrear consumer accounts (over 90 days)
For the year ended 30 June 2014

Surname & Initial		Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Bacela GM		0.00	0.00	0.00	247.87	495.74	745.44	996.98	1,250.35	1,505.55	1,762.57	2,021.43	1,832.12
Lekgela LE		49,843.53	49,487.53	48,015.71	48,567.87	45,121.37	43,665.74	42,199.25	8,190.02	4,869.51	3,369.87	1,632.13	78.34
Manyoni T M		20.24	23.96	0.00	0.00	0.00	0.00	0.00	3.32	0.00	0.00	0.00	0.00
Masoetsa LA		0.00	1.84	0.00	436.15	0.00	0.00	0.00	0.00	0.00	17.75	32.39	0.00
Matsoetlane MJ		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36.01	72.48	0.00
Mbange MB		848.28	848.28	848.28	848.28	848.28	1,165.98	1,901.13	2,519.45	2,998.73	3,174.70	2,936.43	3,279.11
Minnie H		0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.95	92.74	141.84	191.27	241.04
Mononyane MB		19,665.69	20,415.90	35,752.88	68,226.90	38,677.63	40,971.00	41,432.20	42,213.63	42,930.00	43,650.06	44,386.97	44,090.71
Mpheqeka MS		30,396.66	30,256.99	30,066.21	30,570.30	29,931.11	29,880.95	29,802.50	29,720.99	29,639.73	29,555.62	29,472.86	29,389.46
Mtshiwane KJ		0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.18
Ndamane SS		0.00	0.00	0.00	48.79	97.58	146.71	196.18	245.99	296.14	346.62	397.44	248.60
Nkoe MJ		55,552.54	58,364.31	59,103.44	60,195.92	57,915.34	59,023.52	60,619.56	62,622.96	63,412.95	65,015.21	65,576.31	66,075.29
Nothnagel J		3,939.98	4,463.21	3,904.80	4,552.41	5,203.64	5,836.69	6,489.04	7,145.97	6,807.36	6,473.33	7,143.88	5,395.97
Olivier GJ		191.65	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sechoaro CSK *		0.00	0.00	0.00	0.00	333.44	329.72	811.55	1,502.47	1,365.28	2,198.93	2,975.82	1,848.01
Teko ED		67,243.00	69,105.65	72,973.51	76,880.75	80,784.34	15,047.57	19,229.64	23,432.22	24,002.73	24,113.29	24,229.67	24,346.05
Thipenyane G		1,695.64	1,345.35	1,186.93	1,186.93	873.92	1,186.77	1,591.38	1,999.22	2,487.35	1,983.45	0.00	0.00
Toba AL		183.85	151.87	0.00	189.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tsomela MM		0.00	21.76	3.29	0.00	10.72	0.45	0.00	0.00	227.96	527.28	799.66	679.91
Van der Merwe RA		0.00	0.00	0.00	85.39	170.78	256.76	343.34	430.51	518.27	606.62	0.00	0.00
Ward VW		10,769.37	8,937.57	10,013.56	9,252.22	10,952.07	12,675.21	14,627.64	16,621.82	18,538.83	18,881.15	18,857.20	20,855.38
GRAND TOTAL		**240,350.43**	**243,424.24**	**261,868.61**	**301,288.97**	**271,415.96**	**210,932.51**	**220,240.84**	**197,942.87**	**199,693.13**	**201,854.30**	**200,725.94**	**198,360.17**

For the year ended 30 June 2013

Name	Surname	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
AUMA LETTAH	TOBA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135.52	244.95	196.70	0.00
ELIZABETH	SNYMAN-VAN DEVENTER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ERICA DIKELEDI	TEKO	45,029.64	45,893.24	46,761.64	47,625.24	48,933.01	50,706.73	52,486.85	54,281.22	56,080.80	57,894.67	59,713.75	44,156.45
GERHARDUS JOHANNES	OLIVIER	5,500.67	5,516.85	5,033.03	4,549.21	4,065.39	3,581.57	3,097.75	2,613.93	2,130.11	1,646.29	1,162.47	5,484.49
JEANINE	NOTHNAGEL	0.00	0.00	0.00	0.00	489.86	0.00	493.48	991.37	1,492.87	1,998.00	2,506.75	0.00
LEAOWA ELLIOT	LEKGELA	55,499.92	54,602.62	55,446.29	54,548.40	54,069.68	53,710.15	53,344.83	44,834.23	44,443.89	44,042.78	43,645.75	57,077.76
LESIBE EPHRAIM	MAPHAKISA	10,460.11	10,604.96	10,750.04	10,895.37	11,159.81	11,421.44	11,684.41	11,948.74	12,214.42	12,481.46	12,749.84	10,315.50
LULAMA MAGDELINE	TITI-ODILE	7,155.82	5,294.55	3,433.48	1,572.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,015.60
LULAMA RYLLINA	JULY	240.45	481.81	253.13	158.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
MADITABA JOYCE	MATSOETLANE	9,836.82	9,108.36	8,535.57	8,154.56	7,541.91	6,745.61	5,473.55	4,206.18	3,150.89	2,032.60	1,148.63	10,066.38
MANEHENG MAGDELINA	TSOMELA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00
MASESE EVA	MOILWA	299.99	399.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.19
MATEKANE JOHANNES	NKOE	43,165.15	43,415.11	39,521.07	39,592.00	39,922.62	40,244.89	41,213.36	46,682.37	47,811.59	47,831.34	48,557.48	43,023.19
MOKHADU JOHANNES	LEPHOI	155.69	192.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.41
MOLAHLEHI BARNARD	MONONYANE	35,292.09	35,939.71	26,562.97	27,412.78	28,503.02	29,688.24	30,436.21	31,205.41	31,720.30	32,410.43	33,189.90	34,645.16
MONGEZI SHADRACK	MPEQEKA	30,849.31	29,188.28	29,555.20	29,870.99	30,324.53	30,269.26	30,253.31	30,175.86	30,146.63	30,094.03	30,062.18	32,521.70
MOTSHABI DAVID	HLUJANE	227.29	286.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	206.48
MXOLISI ASHFORD	SIYONZANA	12.48	24.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SEPHETHO SOLOMON	NDAMANE	1,788.21	59.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,572.59
THABO MOSES	MANYONI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	763.24	0.00
THANDIWE ALINAH	JACOBS	136.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.32
THEMBANI STEPHEN	LALA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	431.64
TSEKO SAMUEL	MPAKATHE	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TSHOKOLO JULIAS	NAILE	3.78	3.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VERNON WILLIAM	WARD	14,752.62	15,738.96	10,452.33	8,775.85	7,021.49	1,892.49	2,106.08	2,263.78	2,453.44	2,618.43	9,712.91	13,501.68
ZOLILE EMMANUEL	MANGCOTYWA	203.54	311.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	96.01
GRAND TOTAL		**260,613.75**	**257,062.64**	**236,304.75**	**233,155.02**	**232,031.32**	**228,260.38**	**230,589.83**	**229,203.09**	**231,780.46**	**233,295.19**	**243,409.60**	**262,445.56**

* Councillor resigned during the year.

The above is individual councillors arrear accounts which were outstanding for more than 90 days at the end of each respective month in terms of the MFMA sec. 124 (1) (b)

Centlec (SOC) Ltd
(Registration number 2003/011612/07)
Financial statements
for the year ended 30 June 2014

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	State owned company Limited
Nature of business and principal activities	Electricity distribution
Chief Executive Officer (CEO)	Mr. MP Seboka
Chief Finance Officer (CFO)	Mr. TJ Ramulondi
Directors	Mr. LM Mbali (Chairperson) Ms. FP Zitha (Deputy Chairperson) Prof. L de Jager Mr. MK Moroka Mr. N Mokhesi Mr. SG Xulu Mr. SM Zimu Mr. TJ Mongake
Registered office	Fort Street Oranjesig Bloemfontein 9324
Business address	30 Rhodes Avenue Bloemfontein 9324
Postal address	Private Bag X14 Brandhof Bloemfontein 9324
Controlling entity	Mangaung Metropolitan Municipality incorporated in South Africa
Bankers	ABSA
Auditors	Auditor-General of South Africa
Company Secretary	Phatshoane Henney Inc.
Company registration number	2003/011612/07
Attorneys	Bokwa Attorneys Cengcani & Associates Eugene Attorneys Knowles Husain Lindsay Inc. Maduba Attorneys Phatshoane Henney Inc. Qwelani & Theron

Enabling legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 6 of 2013)

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

IDP	Integrated Development Plan
NERSA	National Energy Regulator of South Africa
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SOC	State Owned Company
SALGA	South African Local Government Association
AGSA	Auditor-General of South Africa

Corporate Governance Report

The Board & Administrative Governance

Introduction to Governance

The board sees and understands governance as fundamentally requisite in stewardship responsibilities.

To this end, the board is therefore committed to maintaining the highest standards of governance. The company has a Macro Organisational structure in place, which provides for separation of duties and responsibilities between the board and administrators.

In the course of rendering services to the community, it is therefore important to do so within the parameters of the law, and this can be achieved by connecting corporate governance with legislative risk management as a guideline.

Board Governance

1. Board of Directors

The board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to the company's shareholder. The board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to the role.

All of the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders and the board keeps its performance and core governance principles under regular review.

The board held both ordinary and special meetings during the period under review as follows in which a number of decisions were taken:

Type of Meeting	Date	Venue
Special	07 August 2013	Centlec (SOC) Ltd, 30 Rhodes Avenue, Bloemfontein
Ordinary	26 August 2013	Philip Saunders, Bloemfontein
Special	17 January 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein
Special	10 February 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein
Special	10 March 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein
Special	17 March 2014	Teleconference
Ordinary	25 April 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein
Ordinary	18 July 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein
Special	29 August 2014	Centlec (SOC) Ltd, Telkom Building, 195 Nelson Mandela drive, Bloemfontein

2. Board Committees

The board had the following committees during the period under review.

2.1. Finance Committee

N Mokhesi	Chairperson
T J Mongake	Member
F Zitha	Member
Chief Executive	Invitee
Chief Financial Officer	Invitee
Chief Operations Officer	Invitee
EM: Corporate Services	Invitee

Corporate Governance Report

2.2. Human Resources & Remuneration Committee

F Zitha	Chairperson
S Xulu	Member
S Zimu	Member
T J Mongake	Member
M Mbali	Member
K Moroka	Member
Chief Executive	Invitee
Chief Financial Officer	Invitee
Chief Operations Officer	Invitee
EM: Corporate Services	Invitee
EM: Engineering (Retail)	Invitee
EM: Engineering (Wires)	Invitee

2.3. Social Responsibility & Ethics Committee

K M Moroka	Chairperson
T J Mongake	Member
L De Jager	Member
Chief Executive	Invitee
Chief Financial Officer	Invitee
Chief Operations Officer	Invitee

2.4. Information Technology Governance Committee

S Xulu	Chairperson
S Zimu	Member
K M Moroka	Member
L De Jager	Member
Chief Executive	Invitee
Chief Financial Officer	Invitee
Chief Operations Officer	Invitee
EM: Engineering (Retail)	Invitee

2.5. Engineering Committee

S Zimu	Chairperson
S Xulu	Member
N Mokhesi	Member
Chief Executive	Invitee
Chief Financial Officer	Invitee
Chief Operations Officer	Invitee
EM: Engineering (Retail)	Invitee
EM: Engineering (Wires)	Invitee

Corporate Governance Report

The respective committees held meetings as follows during the period under review:

Committee	No. of Meetings	Dates of meetings
IT Governance	2	07 August 2013
		15 April 2014
Engineering	2	07 August 2013
		15 April 2014
HR & Remuneration	4	07 August 2013
		15 November 2013
		17 January 2014
		14 April 2014
Audit & Risk	5	22 August 2013
		29 August 2013
		16 January 2014
		24 January 2014
		17 April 2014
Social Responsibility & Ethics	0	
Finance	3	25 July 2013
		13 January 2014
		14 April 2014

Risk Management

The MFMA requires that the municipal entity develops and maintain an effective, efficient and transparent systems of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards.

The municipal entity manages its Risk Management issues through the Internal Audit Unit. The Internal Unit is therefore mainly responsible for the review of the implementation of effective risk management as a key element of good governance and rigorous performance management. Risk management is an integral part of corporate, business planning and service delivery.

During the period under review, corporate and operational risk assessment was performed for all areas within the municipal entity.

General overview of the entity's performance

Overview by the Chairman

Centlec (SOC) Ltd ("the municipal entity") was envisioned to be a regional electricity distributor and to fit into the planned electricity distribution industry (EDI) restructuring. The restructuring process, and the subsequent suspension of the EDI process, has led to delay in the implementation of RED`

Despite the limited direction within the EDI, the role of the municipal entity within the Mangaung Metropolitan Municipality ("MMM") is clear. The municipal entity was created, and exists, as a service delivery entity of MMM. To date, the municipal entity has delivered on its service delivery mandate, and has expanded its area of supply beyond Mangaung, to include Kopanong, Mohokare, Naledi and Mantsopa Municipalities.

Numerous challenges have affected the municipal entity since inception. Separation from the Municipality should have provided the organisation with greater focus, ensuring efficient performance. Unfortunately, the municipal entity has not been properly capacitated, which has in part led to inefficient operations and less than optimal service delivery.

The municipal entity is faced with a number of challenges as listed below:

- Rising Eskom tariffs that impact on the ultimate cost of electricity and the negative effect this has on the customers of the municipal entity and the local economy.

- The increasing operational cost that impacts on the gross margins.

- The structure of the municipal entity's revenue base is a definite area of concern. Unlike other metropolitan areas in South Africa, industrial clients make up a very small part of the total number of customers. Despite this, a very small percentage of customers, approximately 1%, contribute around 63% of the municipal entity's revenue. This emphasises the importance for the municipal entity to protect its current revenue base, this has created a backlog in capital expenditure and lack of refurbishment expenditure which has led to an ageing infrastructure in need of significant investment.

- The ageing infrastructure has impacted on management's ability to reduce the distribution loses which though within ranges of NERSA`s benchmark of 12% is still an area of concern.

- Electricity theft and bridging of meters have been identified as one of the reasons for the escalation in the distribution losses.

The municipal entity made tremendous strides in the previous year by addressing audit findings raised by the office of the Auditor General. The result of this process was the progress from the disclaimed audit opinions of the previous years to a qualified audit outcome for the 2012/13 financial year. In pursuit of the clean audit outcome as envisaged by the municipal entity's leadership and management, the same effort has been focused on addressing the 2012/13 audit findings.

In conclusion, I would like to thank my fellow Board Members for their focused leadership. It is only through committed and decisive leadership that the vision of this entity can be realised. I would also like to thank the executive managers and all the staff members of the municipal entity for their dedication and commitment. It is through their determination to serve that we are able to continue to render services to the community.

My sincere gratitude to our key stakeholders, all the Southern Free State Municipalities for their participation and engagement in issues pertaining to electricity supply in their respective municipalities.

Finally, I acknowledge and appreciate our relationships and liaisons with our parent municipality, Mangaung Metropolitan at both administrative and political spheres in furtherance of the course to the existence of the municipal entity.

Mr. ML Nibeli
Chairperson of the Board

Executive Summary

Chief Executive Officer's Overview

For the 2013/14 financial year the municipal entity has continued to sustain a healthy financial position with sufficient reserves to keep it as a going concern in the foreseeable future. The municipal entity's revenue has shown a slight positive movement of 2.25% from the previous year. This poses a challenge to entity whose vision is to grow its revenue. The main cause to this is attributed to the current economic situation nationally and globally. In particular, the revenue risk is affected by the reduced electricity sales attributed to energy efficiency and renewable energy sources such as solar heating systems, etc. The entity is compelled to adjust to these environmental realities which are inevitable.

Furthermore the municipal entity faces an increasing debt problem as customers are on most occasions unable to settle their accounts in the required period. This impacts on the cash flow projections and the ability to meet the day to day obligations in respect of both capital and operational cash requirements.

In an attempt to manage this challenge the municipal entity has developed strategies which include:

- Entering into settlement agreements with customers.
- Handing over overdue accounts to company's debt collectors.
- Replacing rotational meters with prepaid electricity meters.

To assist in improving on the revenue base the municipal entity has invested reserves funds which has contributed significantly to interest income from investments.

The municipal entity has successfully procured and implemented an in house prepaid electricity vending system. This will go a long way in reducing the cost of running and operating the prepaid electricity sales that is likely to provide an improved service to our customers.

In the year under review, the municipal entity completed the formulation of the business strategy which will culminate in revision of the organisational structure. This is aimed at assisting the company in fulfilling its strategy, as well as facilitating the transfer and placement of the seconded staff from the parent municipality to the municipal entity.

To address the issue of rising maintenance cost of fleet, the municipal entity has procured 57 new vehicles to replace the aging fleet of vehicles. This will assist in the efficiency in which service delivery is addressed as well as cutting down on the cost of maintenance.

In the current year the municipal entity did not commission the infrastructure projects as most of them are multiyear projects. These have been reported as work in progress. During the year under review the municipal entity did receive a donation of three (3) projects which were handed over by the property developer to the municipal entity at a value of R 11 742 509.

The municipal entity has installed and energised forty (40) high mast lights in Thaba Nchu, Botshabelo and Bloemfontein. This is part of the municipal entity`s commitment to bring services the people and contribute to the social and economic upliftment of the community that the municipality serves.

As part of the national skills development initiative, the municipal entity has successfully completed providing training for sixty (60) learners of which some will be absorbed in the municipal entity.

Other areas of success include:

- Providing access to electricity to 600 new households.
- Shifting of 202 meters to RDP houses.
- Completion of the 132/11KV distribution centre at Vista and Botshabelo Sub F.
- Successful conversation of 3000 rotational disc meters to prepaid electricity meters.
- Successful development and monitoring of the implementation of the audit action plan of 2012/13.

In pursuit of its strategic objectives, the municipal entity still faces a number of challenges amongst which are:

- Aging infrastructure.
- Bridging of meters
- Electricity cable theft
- Inadequate staff complement.
- Low revenue growth
- Debt collection

Notwithstanding the above, we are convinced that the revised business strategy approved by the Board during the 2013/14 period will go a long way in addressing the challenges raised above.

In conclusion, the municipal entity will continue to operate within the vision of the Mangaung Metro Municipality, while maintaining operations efficiency and ensuring a better audit outcome and legal compliance.

I would like to thank the Mangaung Council and the Board of Directors for their leadership and guidance, our customers and stakeholders for the trust they put in the municipal entity to provide them with reliable electricity service and finally all staff members for their commitment and strive towards making the municipal entity succeed in achieving its objectives.

Mr. MK. Moroka
Chief Executive Officer (Acting)

Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the municipal entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the municipal entity's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the municipal entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipal entity is a going concern and that Mangaung Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipal entity.

The financial statements set out on pages 19 - 118, which have been prepared on the going concern basis, were approved by the directors on 29 August 2014 and were signed on its behalf by:

Mr. LM Mbali
Chairperson of the Board

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

As provided for in terms of section 166(2) of the MFMA, the municipal entity had an audit committee established on 01 August 2013 which specifically addresses matters relating to the municipal entity. This consisted of the following members:

To address issues relating to the municipal entity, the audit committee held 6 meetings during the year. The dates and attendance of these meetings were as follows:

Member	2013/08/22	2013/08/29	2013/10/18	2014/01/16	2014/01/24	2014/04/17
T.S. Zakuza (Chairperson)	Yes	Yes	Yes	Yes	Yes	Yes
M.C. Llale	Yes	Yes	Yes	Yes	Yes	No
N. Lubanga	Yes	Yes	Yes	Yes	Yes	Yes
C. Choeu	Yes	No	Yes	Yes	No	Yes
L. Majake	Yes	No	Yes	Yes	Yes	Yes

All members of the Audit Committee are independent, with no interest in the management or conduct of the business of the Municipality and its entities.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA in terms of its defined responsibilities as an advisory body to the municipality.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Audit, the Audit Report on the Annual Financial Statements and management report of the Auditor-General. It was noted that there were instances of weaknesses in controls. However the Audit Committee is pleased to report that there has been significant improvement in the general controls and management has put mechanisms and action plans in place to deal with identified weaknesses. Management has further undertaken to report to the Audit Committee on a regular basis on progress made in this regard.

The Audit Committee therefore urges management to address these problems without any further delay.

The committee received good support from the Internal Audit function and as a part of its mandate, reported to the board regularly. The committee also held meetings separately with Internal Audit and the AGSA to establish if there were matters of concern that could not be discussed in an open session with management.

Whilst the Risk Management Strategy and Framework is in place, it was however adopted by the Board late into the financial year under review. The effectiveness of the two documents in managing risk exposure and mitigation is still to be tested and no Assurance Reports were received in this regard.

The Reports received from other areas covered as per the Coverage Plan show areas of improvement whilst also showing shortcomings that were brought to the attention of the Audit Committee by Internal Auditors.

We also received reports of follow-up audits especially in areas that were highlighted by the AGSA in previous audits and which resulted in the qualified audit outcome. We received positive comments applauding improvements noted by AGSA and progress made in addressing previous audit findings and matters contained in the Management letter.

Audit Committee Report

Performance Management

The Board has also designated the Audit Committee as a Performance Audit Committee in terms of Municipal Planning and Performance Management Regulations 2001.

The committee takes note of the progress made regarding Performance Management System. However, the committee noted a gap in reporting the quarterly performance reports. This is as a result that management did not present reports on time to allow the Performance Audit Committee to exercise its oversight role. Accordingly the committee expresses no opinion on the municipal entity's performance and notes insufficient performance reporting which management has conceded to and undertaken to address.

Risk Management

The Audit Committee is also satisfied with the risk management processes within the institution.

On the 22nd of August 2014 the Committee reviewed the Annual Financial Statements of the municipal entity for the financial year 2013/14 and the performance information which was presented by the Chief Financial Officer and the Chief Operations Officer respectively and recommended that the board submit such information to the AGSA for audit.

The audit committee has since convened a meeting with the AGSA to discuss the final audit report and is pleased with the progress made by management and the resulting audit outcome. The audit committee urges management to sustain the unqualified opinion achieved.

Quality review exercise was conducted on internal audit during the year under review and the overall outcome was one of compliance. This further gave the audit committee comfort about the quality of work of the internal audit.

The Audit Committee accepts the opinion of the Auditor General and wants this report to be read together with the report of the AGSA.

T. Zakuza (Chairperson of the Audit Committee)

Date: 28 November 2014

Director's Report

The directors submit their report for the year ended 30 June 2014.

1. General information and nature of activities

The municipal entity, which is a state owned company, is incorporated and domiciled in South Africa and provides electricity retail, distribution and electrification services.

The municipal entity operates primarily in the Free State Province and employs over 177 people. The address of the municipal entity's registered office is Fort Street, Oranjesig, Bloemfontein, 9324.

The municipal entity is wholly owned by Mangaung Metropolitan Municipality, which is the sole parent municipality of the municipal entity and is domiciled in the Free State Province of South Africa. The address of the parent municipality is C/o Nelson Mandela Drive and Markgraaf Street, Bram Fischer Building, Bloemfontein, 9300.

The municipal entity is one of the only two state owned electricity companies in South Africa and the only one in the Free State Province.

Other than the area of jurisdiction of Mangaung Metropolitan Municipality, the municipal entity also distributes electricity to the following local municipalities in the Southern Free State area: Kopanong Local Municipality, Naledi Local Municipality, Mantsopa Local Municipality and Mohokare Local Municipality.

The municipal entity interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of electricity services (from pre-paid electricity sales and billing through conventional metering, to electricity infrastructure development to bulk-to-point connection).

The financial statements set out fully the financial positions, results of operations and cash flows of the municipal entity for the reporting period ended 30 June 2014.

Main business and operations

The municipal entity is engaged in electricity distribution and operates principally in South Africa.

The operating results and state of affairs of the municipal entity are fully set out in the attached financial statements and do not in our opinion require any further comment.

The municipal entity is continuously engaging with the relevant stakeholders in looking at their electricity rates spectrum and the results of this engagement is expected to have a positive effect on the municipal entity's profitability.

2. Going concern

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

The following analysis supports the going concern assumption:

Current assets (R 2 089 158 603) exceed current liabilities (R 653 939 698)

Total assets (R 4 166 160 959) exceed total liabilities (R 3 108 846 364)

The municipal entity has an accumulated surplus and other reserves of R 1 057 314 595.

The municipal entity has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipal entity has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

Director's Report

3. Subsequent events

The directors are aware of the following matters and circumstance arising since the end of the financial year that would have an impact on the financial statements:

The municipal entity experienced a change of leadership at its senior management level after the financial year end. Mr. MP Seboka, the chief executive officer, tendered his resignation letter on 2 July 2014. The duties of the chief executive officer will become the temporary responsibility of an appointed acting official until the position is filled permanently. At year end the chief executive officer position was still vacant.

The services of Mrs. DM Letseli, head of corporate services were suspended during the financial year and her appointment was subsequently canceled after year end.

On the 10th of July 2014 Prof. L de Jager tendered her resignation as a member of the board of directors.

4. Accounting policies

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

5. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the municipal entity during the year under review.

The entire shareholding of the municipal entity is held by Mangaung Metropolitan Municipality.

Unissued ordinary shares are under the control of Mangaung Metropolitan Municipality.

Authorised:

The authorised share capital of the company consists of 1 000 ordinary par value shares of R1 each. The authorised share capital of the company remained the same from the previous reporting period.

Issued:

The issued total issued share capital of the company of R100 consists of 100 ordinary par value shares of R1 each.

6. Non-current assets

There were no major changes in the physical nature of non-current assets of the municipal entity during the year.

7. Directors

The current Board of Directors consists of eight (8) non-executive directors and was appointed with effect from 28 February 2012.
The term of the previous Board ended in November 2011. Four (4) of the new Board members were appointed for a period of four (4) years while the other four members were appointed for a period of three (3) years.

The directors of the municipal entity during the year and to the date of this report are as follows:

Mr. LM Mbali (Chairperson)
Ms. FP Zitha (Deputy Chairperson)
Prof. L de Jager
Mr. MK Moroka
Mr. N Mokhesi
Mr. SG Xulu
Mr. SM Zimu
Mr. TJ Mongake

Director's Report

8. Dividends

No dividends were declared or paid to shareholder during the year.

9. Company secretary

Mr. LR Bomela was the Company Secretary up to the 31st of March 2014 when he handed in his resignation. Phatshoane Henney Inc. was appointed to oversee the activities of the Company Secretary in the interim. Their contact details are as follows:

Business address:

17 Third Avenue
Westdene
Bloemfontein
South Africa
9300

Postal address

PO Box 625
Bloemfontein
South Africa
9300

10. Member and executive managers emoluments

Directors' and officers' personal financial interests in contracts

In term of Supply Chain Management Policy of the municipal entity, Directors and the municipal entity's officers are prohibited from entering into commercial transactions with the municipal entity.

Directors are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Company Secretary for inspection.

Consistent with the Supply Chain Management Policy of the municipal entity, none of the directors or officers entered into any commercial transaction with the municipal entity during the period under review.

Furthermore, the directors, except for one (Prof. L de Jager) as disclosed in the related party note to the annual financial statements, had no interest in any third party or company responsible for managing any of the business activities of the municipal entity.

Directors' and prescribed officers' emoluments

The upper limits of the salary, allowances and other benefits of the Directors, Prescribed Officers and Executive Managers were determined by the parent municipality. Directors, Prescribed Officers and Executive Managers emoluments are disclosed in the Annual Financial Statements.

11. Corporate governance

General

The directors are committed to business integrity, transparency and professionalism in all their activities. As part of this commitment, the directors support the highest standards of corporate governance and the ongoing development of best practice.

The municipal entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009. The directors discuss the responsibilities of management in this respect, at Board meetings and monitor the municipal entity's compliance with the code on a three monthly basis.

Director's Report

Board of directors

The Board:

- retains full control over the municipal entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipal entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, Chief operations officer and the Chief Financial Officer, who are the only three executive directors of the municipal entity, are determined by the Parent entity, and the directors will determine the remuneration within the above mentioned limits.

Executive meetings

The directors have met on 9 separate occasions during the financial year. The directors schedule to meet at least 4 times per annum. Non-executive directors have access to all members of management of the municipal entity.

Internal audit

The municipal entity has outsourced its internal audit function to Price Waterhouse Coopers Inc who continued to perform this function from the previous year. This is in compliance with the Municipal Finance Management Act, Section 62(c)(i) & 165, 2003.

12. Controlling entity

The municipal entity's controlling entity is Mangaung Metropolitan Municipality incorporated in South Africa. The municipal entity is wholly owned by Mangaung Metropolitan Municipality.

13. Bankers

ABSA Limited

14. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In accordance with the provisions of the Companies Act 71 of 2008, Phatsoane Henney Inc, the Company Secretary of Centlec State Owned Company Ltd, hereby certify that:

In respect of the reporting period ended 30 June 2014, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission (CIPC), all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

Phatsoane Henney Inc.
Company Secretary of Centlec (SOC) Ltd

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	4	319 818 399	345 719 992
Consumer receivables from exchange transactions	6	362 957 784	347 929 324
Inventories	5	66 273 473	55 115 119
Investments	11	186 559 010	-
Other financial assets	7	436 944	462 348
Receivables from exchange transactions	8	1 153 112 993	1 103 552 873
		2 089 158 603	**1 852 779 656**
Non-Current Assets			
Property, plant and equipment	9	1 974 068 168	1 825 793 712
Intangible assets	10	99 780 164	103 296 533
Other financial assets	7	3 154 024	3 215 673
		2 077 002 356	**1 932 305 918**
Total Assets		**4 166 160 959**	**3 785 085 574**
Liabilities			
Current Liabilities			
Consumer deposits	12	49 493 463	49 038 718
Finance lease obligation	14	177 224	273 447
Loans from shareholders	19	267 867 789	-
Long service awards	16	597 000	390 000
Operating lease liability	13	149 479	28 728
Other current financial liabilities	15	7 312 625	12 766 872
Payables from exchange transactions	17	306 460 551	325 034 420
Unspent conditional grants and receipts	23	7 017 544	-
VAT payable	18	14 864 023	22 095 427
		653 939 698	**409 627 612**
Non-Current Liabilities			
Finance lease obligation	14	127 558	118 681
Loans from shareholders	19	2 349 561 685	2 356 112 161
Long service awards	16	2 432 000	2 525 000
Operating lease liability	13	222 541	174 521
Other non-current financial liabilities	15	102 562 882	109 875 508
		2 454 906 666	**2 468 805 871**
Total Liabilities		**3 108 846 364**	**2 878 433 483**
Net Assets		**1 057 314 595**	**906 652 091**

* See Note 2 & 43

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 Restated* R
Share capital / contributed capital	20	100	100
Reserves			
Revaluation reserve	21	116 739 388	116 739 388
Other NDR	22	60 000 000	60 000 000
Accumulated surplus		880 575 107	729 912 603
Total Net Assets		**1 057 314 595**	**906 652 091**

* See Note 2 & 43

Statement of Financial Performance

	Note(s)	2014 R	2013 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	24	1 804 991 341	1 747 411 671
Income from agency services	31	4 725 487	8 602 841
Other income	32	41 469 478	19 654 126
Interest received - investment	25	125 801 003	124 649 553
Total revenue from exchange transactions		**1 976 987 309**	**1 900 318 191**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	30	68 157 161	114 664 909
Public contributions and donations	26	25 664 720	9 713 952
Total revenue from non-exchange transactions		**93 821 881**	**124 378 861**
Total revenue	31	**2 070 809 190**	**2 024 697 052**
Expenditure			
Bulk purchases	27	1 104 234 872	1 065 571 895
Debt impairment	28	24 883 327	36 569 505
Depreciation and amortisation	29	96 369 968	118 213 168
Employee related costs	33	73 422 599	48 521 414
Finance costs	34	271 791 893	244 271 679
Impairment loss/ Reversal of impairments	35	(290 854)	339 780
Management fees	36	100 666 986	106 046 017
Repairs and maintenance		70 716 960	54 581 387
General Expenses	37	178 332 720	152 791 230
Total expenditure		**(1 920 128 471)**	**(1 826 906 075)**
Operating surplus		**150 680 719**	**197 790 977**
Loss on disposal of assets and liabilities	9	(18 213)	(40 263)
Surplus for the year		**150 662 506**	**197 750 714**

* See Note 2 & 43

Statement of Changes in Net Assets

	Share capital / contributed capital	Revaluation reserve	Other NDR	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R
Opening balance as previously reported	100	116 739 388	60 000 000	176 739 388	693 680 170	870 419 658
Adjustments						
Correction of errors	-	-	- -		(161 518 281)	(161 518 281)
Balance at 01 July 2012 as restated*	**100**	**116 739 388**	**60 000 000**	**176 739 388**	**532 161 889**	**708 901 377**
Changes in net assets						
Surplus/(Deficit) for the year	-	-	- -		197 750 714	197 750 714
Total changes	-	-	- -		197 750 714	197 750 714
Restated* Balance at 01 July 2013	**100**	**116 739 388**	**60 000 000**	**176 739 388**	**729 912 601**	**906 652 089**
Changes in net assets						
Surplus for the year	-	-	- -		150 662 506	150 662 506
Total changes	-	-	- -		150 662 506	150 662 506
Balance at 30 June 2014	**100**	**116 739 388**	**60 000 000**	**176 739 388**	**880 575 107**	**1 057 314 595**
Note(s)	20	21	22			

* See Note 2 & 43

Cash Flow Statement

	Note(s)	2014 R	2013 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 761 714 399	1 661 308 885
Grants, Public contributions and donations		93 821 881	124 378 861
Interest income		125 801 003	124 649 553
		1 981 337 283	1 910 337 299
Payments			
Employee costs		(73 422 599)	(48 521 414)
Suppliers		(1 483 200 173)	(1 484 770 282)
Finance costs		(271 756 538)	(244 201 956)
		(1 828 379 310)	(1 777 493 652)
Net cash flows from operating activities	40	**152 957 973**	**132 843 647**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(236 722 849)	(156 784 336)
Purchase of other intangible assets	10	(4 092 499)	(13 824 485)
Investments		(186 559 010)	-
Proceeds from sale of financial assets		87 053	3 267 182
Net cash flows from investing activities		**(427 287 305)**	**(167 341 639)**
Cash flows from financing activities			
Repayment of other current financial liabilities		(12 766 873)	(13 447 336)
Proceeds from shareholders loan		261 317 313	231 045 722
Finance lease payments		(122 701)	(248 167)
Net cash flows from financing activities		**248 427 739**	**217 350 219**
Net increase/(decrease) in cash and cash equivalents		**(25 901 593)**	**182 852 227**
Cash and cash equivalents at the beginning of the year		345 719 992	162 867 765
Cash and cash equivalents at the end of the year	4	**319 818 399**	**345 719 992**

* See Note 2 & 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 120 123 586	-	**2 120 123 586**	1 804 991 341	**(315 132 245)**	Note 52
Income from agency services	500 000	-	**500 000**	4 725 487	**4 225 487**	Note 52
Other income	60 362 009	-	**60 362 009**	41 469 478	**(18 892 531)**	Note 52
Interest received - investment	171 580 733	-	**171 580 733**	125 801 003	**(45 779 730)**	Note 52
Total revenue from exchange transactions	**2 352 566 328**	**-**	**2 352 566 328**	**1 976 987 309**	**(375 579 019)**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	96 491 228	-	**96 491 228**	68 157 161	**(28 334 067)**	Note 52
Transfer revenue						
Public contributions and donations	17 676 161	-	**17 676 161**	25 664 720	**7 988 559**	Note 52
Total revenue from non-exchange transactions	**114 167 389**	**-**	**114 167 389**	**93 821 881**	**(20 345 508)**	
Total revenue	**2 466 733 717**	**-**	**2 466 733 717**	**2 070 809 190**	**(395 924 527)**	
Expenditure						
Personnel related costs	(96 811 564)	-	**(96 811 564)**	(73 422 599)	**23 388 965**	Note 52
Management fees	(100 230 182)	-	**(100 230 182)**	(100 666 986)	**(436 804)**	Note 52
Depreciation and amortisation	(135 476 495)	-	**(135 476 495)**	(96 369 968)	**39 106 527**	Note 51
Impairment loss/ Reversal of impairments	-	-	**-**	290 854	**290 854**	Note 52
Finance costs	(244 453 794)	-	**(244 453 794)**	(271 791 893)	**(27 338 099)**	Note 52
Debt impairment	(40 000 000)	-	**(40 000 000)**	(24 883 327)	**15 116 673**	Note 52
Repairs and maintenance	(83 825 938)	4 930 000	**(78 895 938)**	(70 716 960)	**8 178 978**	Note 52
Bulk purchases	(1 250 000 000)	-	**(1 250 000 000)**	(1 104 234 872)	**145 765 128**	Note 52
General Expenses	(248 784 294)	(4 930 000)	**(253 714 294)**	(178 332 720)	**75 381 574**	Note 52
Total expenditure	**(2 199 582 267)**	**-**	**(2 199 582 267)**	**(1 920 128 471)**	**279 453 796**	
Operating surplus	**267 151 450**	**-**	**267 151 450**	**150 680 719**	**(116 470 731)**	
Gain on disposal of assets and liabilities	900 000	-	**900 000**	-	**(900 000)**	Note 52
Loss on disposal of assets and liabilities	-	-	**-**	(18 213)	**(18 213)**	Note 52
	900 000	**-**	**900 000**	**(18 213)**	**(918 213)**	
Surplus before taxation	**268 051 450**	**-**	**268 051 450**	**150 662 506**	**(117 388 944)**	
Actual Amount on Comparable Basis	**268 051 450**	**-**	**268 051 450**	**150 662 506**	**(117 388 944)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	136 152 990	-	**136 152 990**	66 273 473	**(69 879 517)**	Note 52
Receivables from exchange transactions	1 198 704 242	-	**1 198 704 242**	1 153 112 993	**(45 591 249)**	
Consumer debtors	299 687 499	-	**299 687 499**	362 957 784	**63 270 285**	Note 52
Cash and cash equivalents	394 847 471	-	**394 847 471**	506 377 409	**111 529 938**	Note 52
	2 029 392 202	**-**	**2 029 392 202**	**2 088 721 659**	**59 329 457**	
Non-Current Assets						
Property, plant and equipment	2 863 131 024	-	**2 863 131 024**	1 974 068 168	**(889 062 856)**	Note 52
Intangible assets	-	-	**-**	99 780 164	**99 780 164**	Note 52
Other financial assets	3 985 488	-	**3 985 488**	3 590 968	**(394 520)**	Note 52
	2 867 116 512	**-**	**2 867 116 512**	**2 077 439 300**	**(789 677 212)**	
Total Assets	**4 896 508 714**	**-**	**4 896 508 714**	**4 166 160 959**	**(730 347 755)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	473 042 218	-	**473 042 218**	306 460 552	**(166 581 666)**	Note 52
VAT payable	-	-	**-**	14 864 023	**14 864 023**	
Consumer deposits	45 145 211	-	**45 145 211**	49 493 463	**4 348 252**	Note 52
Unspent conditional grants and receipts	-	-	**-**	7 017 544	**7 017 544**	Note 52
	518 187 429	**-**	**518 187 429**	**377 835 582**	**(140 351 847)**	
Non-Current Liabilities						
Loans from shareholders	2 590 512 248	-	**2 590 512 248**	2 617 429 474	**26 917 226**	
Other non-current financial liabilities	20 293 726	-	**20 293 726**	109 875 507	**89 581 781**	Note 52
Finance lease obligation	262 696	-	**262 696**	304 781	**42 085**	Note 52
Operating lease liability	-	-	**-**	372 020	**372 020**	Note 52
Long service awards	385 778	-	**385 778**	3 029 000	**2 643 222**	Note 52
	2 611 454 448	**-**	**2 611 454 448**	**2 731 010 782**	**119 556 334**	
Total Liabilities	**3 129 641 877**	**-**	**3 129 641 877**	**3 108 846 364**	**(20 795 513)**	
Net Assets	**1 766 866 837**	**-**	**1 766 866 837**	**1 057 314 595**	**(709 552 242)**	
Net Assets						
Net Assets Attributable to Controlling Entity						
Share capital	-	-	**-**	100	**100**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Reserves						
Revaluation reserve	116 739 388	-	**116 739 388**	116 739 388	**-**	
Other NDR	60 000 000	-	**60 000 000**	60 000 000	**-**	
Accumulated surplus	1 590 127 449	-	**1 590 127 449**	880 575 107	**(709 552 342)**	
Total Net Assets	**1 766 866 837**	**-**	**1 766 866 837**	**1 057 314 595**	**(709 552 242)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	2 534 406 040	-	**2 534 406 040**	1 761 714 399	**(772 691 641)**	
Grants	96 491 228	-	**96 491 228**	93 821 881	**(2 669 347)**	
Interest income	171 580 733	-	**171 580 733**	125 801 003	**(45 779 730)**	
	2 802 478 001	**-**	**2 802 478 001**	**1 981 337 283**	**(821 140 718)**	
Payments						
Suppliers and employee costs	(1 955 128 473)	-	**(1 955 128 473)**	(1 556 622 772)	**398 505 701**	
Finance costs	(244 453 794)	-	**(244 453 794)**	(271 756 538)	**(27 302 744)**	
	(2 199 582 267)	**-**	**(2 199 582 267)**	**(1 828 379 310)**	**371 202 957**	
Net cash flows from operating activities	**602 895 734**	**-**	**602 895 734**	**152 957 973**	**(449 937 761)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(262 587 388)	-	**(262 587 388)**	(240 815 348)	**21 772 040**	
Proceeds from sale of property, plant and equipment	900 000	-	**900 000**	-	**(900 000)**	
Movement in investments	-	-	**-**	(186 559 010)	**(186 559 010)**	
Proceeds from sale of financial assets	-	-	**-**	87 053	**87 053**	
Net cash flows from investing activities	**(261 687 388)**	**-**	**(261 687 388)**	**(427 287 305)**	**(165 599 917)**	
Cash flows from financing activities						
Repayment of other current financial liabilities	-	-	**-**	(12 766 873)	**(12 766 873)**	
Proceeds from shareholders loan	-	-	**-**	261 317 313	**261 317 313**	
Finance lease payments	-	-	**-**	(122 701)	**(122 701)**	
Net cash flows from financing activities	**-**	**-**	**-**	**248 427 739**	**248 427 739**	
Net increase/(decrease) in cash and cash equivalents	341 208 346	-	**341 208 346**	(25 901 593)	**(367 109 939)**	
Cash and cash equivalents at the beginning of the year	53 639 124	-	**53 639 124**	345 719 992	**292 080 868**	
Cash and cash equivalents at the end of the year	**394 847 470**	**-**	**394 847 470**	**319 818 399**	**(75 029 071)**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2014											
Financial Performance											
Service charges	2 120 123 586	-	2 120 123 586	-		2 120 123 586	1 804 991 341		(315 132 245)	85 %	85 %
Investment revenue	168 580 733	3 000 000	171 580 733	-		171 580 733	125 801 003		(45 779 730)	73 %	75 %
Other own revenue	63 402 009	(1 640 000)	61 762 009	-		61 762 009	46 194 965		(15 567 044)	75 %	73 %
Total revenue (excluding capital transfers and contributions)	**2 352 106 328**	**1 360 000**	**2 353 466 328**	**-**		**2 353 466 328**	**1 976 987 309**		**(376 479 019)**	**84 %**	**84 %**
Employee costs	(117 475 967)	20 664 403	(96 811 564)	-	-	(96 811 564)	(73 422 599)	-	23 388 965	76 %	63 %
Debt impairment	(125 000 000)	85 000 000	(40 000 000)			(40 000 000)	(24 883 327)	-	15 116 673	62 %	20 %
Depreciation and asset impairment	(154 476 495)	19 000 000	(135 476 495)			(135 476 495)	(96 079 114)	-	39 397 381	71 %	62 %
Finance charges	(249 453 794)	5 000 000	(244 453 794)	-	-	(244 453 794)	(271 791 893)	-	(27 338 099)	111 %	109 %
Materials and bulk purchases	(1 250 000 000)	-	(1 250 000 000)	-	-	(1 250 000 000)	(1 104 234 872)	-	145 765 128	88 %	88 %
Other expenditure	(384 070 993)	(48 769 421)	(432 840 414)	-	-	(432 840 414)	(349 734 879)	-	83 105 535	81 %	91 %
Total expenditure	**(2 280 477 249)**	**80 894 982**	**(2 199 582 267)**	**-**	**-**	**(2 199 582 267)**	**(1 920 146 684)**	**-**	**279 435 583**	**87 %**	**84 %**
Surplus/(Deficit)	**71 629 079**	**82 254 982**	**153 884 061**	**-**		**153 884 061**	**56 840 625**		**(97 043 436)**	**37 %**	**79 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	102 000 000	(5 508 772)	96 491 228	-		96 491 228	68 157 161		(28 334 067)	71 %	67 %
Contributions recognised - capital and contributed assets	11 888 364	5 787 797	17 676 161	-		17 676 161	25 664 720		7 988 559	145 %	216 %
Surplus (Deficit) after capital transfers and contributions	**185 517 443**	**82 534 007**	**268 051 450**	**-**		**268 051 450**	**150 662 506**		**(117 388 944)**	**56 %**	**81 %**
Surplus/(Deficit) for the year	**185 517 443**	**82 534 007**	**268 051 450**	**-**		**268 051 450**	**150 662 506**		**(117 388 944)**	**56 %**	**81 %**
Capital expenditure and funds sources											
Total capital expenditure	156 588 364	105 999 025	262 587 389	-		262 587 389	229 072 837		(33 514 552)	87 %	146 %
Sources of capital funds											
Transfers recognised - capital	102 000 000	(5 508 772)	96 491 228	-		96 491 228	68 149 627		(28 341 601)	71 %	67 %
Public contributions and donations	11 888 364	5 787 797	17 676 161	-		17 676 161	22 608 870		4 932 709	128 %	190 %
Internally generated funds	42 700 000	105 720 000	148 420 000	-		148 420 000	138 314 340		(10 105 660)	93 %	324 %
Total sources of capital funds	**156 588 364**	**105 999 025**	**262 587 389**	**-**		**262 587 389**	**229 072 837**		**(33 514 552)**	**87 %**	**146 %**

Accounting Policies

1. Presentation of Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

Centlec (SOC) Ltd ("the municipal entity") is a municipal entity wholly owned by Mangaung Metropolitan Municipality.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operation and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following analysis supports the going concern assumption:

Current assets (R 2 089 158 603) exceed current liabilities (R 653 939 698)

Total assets (R 4 166 160 959) exceed total liabilities (R 3 108 846 364)

The municipal entity has an accumulated surplus and other reserves of R 1 057 314 595.

The municipal entity has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipal entity has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

1.3 Property, plant and equipment

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

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

Property, plant and equipment are initially measured at cost.

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or no-value exchange asset, or a combination of these 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 or received.

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

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

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

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

Subsequent measurement:

Cost model

Motor vehicles and office equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluation model

Land, buildings and Plant and machinery is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost or revaluation amount of an asset less its residual value.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Accounting Policies

1.3 Property, plant and equipment (continued)

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	
• Office buildings	40 years
• Training centres	40 years
• Fixtures & fittings	3 years
Plant and machinery	
• Graders	10-15 years
• Tractors	10-15 years
• Mechanical horses	10-15 years
• Lawn mowers	2 years
• Compressors	5 years
• Laboratory equipment	5 years
• Radio equipment	5 years
• Firearms	5 years
• Telecommunication equipment	5 years
Furniture and fixtures	
• Chairs	7-10 years
• Tables and desks	7-10 years
• Cabinets and cupboards	7-10 years
Motor vehicles	
• Trucks and light delivery vehicles	5-7 years
• Ordinary motor vehicles	5-7 years
• Motor cycles	3 years
Office equipment	
• Computer hardware	5 years
• Computer machines	3-5 years
• Air conditioners	5-7 years

Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure	
• Generation	50 years
• HV Transformers	40 years
• HV Substation Equipment	45 years
• HV Lines	40 years
• HV Cables	45 years
• Buildings	50 years
• MV Transformers	40 years
• MV Switchgear	45 years
• MV Lines	50 years
• MV Cables	50 years
• MV Switching Station	45 years
• OH Line Equipment	40 years
• Service Connections	45 years
• LV Distribution Boxes	50 years
• LV Lines	45 years
• LV Cables	50 years
• Meters Consumer Credit	20 years
• Meters Consumer Prepaid	15 years
• Meter Consumer Electronic	15 years
• Meters Consumer Smart	15 years
• Load Control	15 years
• Protection	20 years
• Electrical Information Systems	7 years
• IT Equipment	5 years
• MV Batteries	20 years
Security measures	
• Access control systems	5 years
• Security systems	5 years
• Security fencing	3 years
Bins and containers	
• Household refuse bins	5 years
• Bulk refuse containers	10 years
Emergency equipment	
• Fire hoses	5 years
• Other fire-fighting equipment	15 years
• Emergency lights	5 years

1.4 Intangible assets

Initial recognition

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.4 Intangible assets (continued)

Subsequent measuring

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

Servitudes are subsequently measured in accordance with the revaluation model.

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

Other intangible assets that are acquired by the municipal entity and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Servitudes created through the exercise of legislation are not recognised as intangible assets and any costs incurred to register these servitudes are expensed. However, servitudes that are created through an agreement (contract) are recognised as intangible assets.

Subsequent expenditure

Expenditure on Intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Servitudes are not amortised as their nature are the same as that of land, which is not a depreciable item.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	**Useful life**
Computer software	3 - 5 years

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of financial performance.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.
Intangible assets are derecognised on disposal or when no future economic benefits or services potential are expected from its use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in the statement of financial performance when the asset is derecognised.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.5 Commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

1.6 Financial instruments

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

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or -liability (or group of financial assets or -liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

Accounting Policies

1.6 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.6 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition in accordance with paragraph 17 of GRAP 104; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Other financial assets	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Other non-current liabilities	Financial liability measured at amortised cost
Other current liabilities	Financial liability measured at amortised cost
Loans from shareholders	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Value Added Tax	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost
Payables from exchange transactions	Financial liability measured at amortised cost
Long service awards	Financial liability measured at fair value
Unspent conditional grants	Financial liability measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.6 Financial instruments (continued)

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.6 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Value added tax (VAT)

The municipal entity accounts for VAT on the cash basis. The municipal entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipal entity accounts for VAT on a monthly basis.

Accounting Policies

1.8 Leases

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

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

Finance leases - municipal entity as lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or where no interest rate implicit in the lease is available, the rate used is the entity's incremental borrowing rate.

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

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

Accounting Policies

1.9 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Where it is not practical to determine the fair value less costs to sell, the entity uses the value in use.

Basis for estimates of future cash flows

In measuring value in use the entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

Identification

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

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

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

Value in use

Where it is not practical to determine the fair value less costs to sell, the entity uses the value in use.

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Employee benefits

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Actuarial assumptions are included in the note of defined benefit obligation plan.

1.14 Provisions

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

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

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

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

Reimbursements

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

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

Accounting Policies

1.14 Provisions (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

1.15 Revenue from exchange transactions

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

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipal entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipal entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 Sep - 30 April) and winter (1 May to 31 Aug).The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.16 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipal entity and the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipal entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipal entity 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 obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

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

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.21 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure have been made in the notes to the financial statements as required by MFMA.

Accounting Policies

1.22 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

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

1.23 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Estimates in the financial statements include but are not limited to the following:

Depreciation

- Expected recovery of the carrying amount through use may differ materially from the actual outcome. Bad

debts

- Influence of economic conditions including unemployment.

Pre-paid electricity

- Unforeseen economic- and weather conditions.

- Recognition of unused pre paid electricity coupons at year end.

Sale of electricity

- Unforeseen economic- and weather conditions.

- Provision for the electricity consumption between last meter reading date and year end.

Accounting Policies

1.23 Use of estimates (continued)

Leave accrual

- Changes in the planned and actual leave taken and the staff turnover.

Long service awards

- Possible resignations or new appointments as well as movements in CPI and discount rates used.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipal entity has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.25 Related parties

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

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

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

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

Notes to the Financial Statements

	2014 R	2013 R

2. Changes in accounting policy and estimates

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- Property, plant and equipment

Property, Plant and Equipment

During the year, the entity changed its accounting estimates with respect to property, plant and equipment. In order to conform with the benchmark treatment of GRAP17. The entity re-assessed the remaining useful lives of all property, plant and equipment, this lead to a change in the depreciation for the current year.

Prospective application and disclosure is impracticable as useful lives of property, plant and equipment needs to be assessed on an annual basis.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2014 is as follows:

Statement of financial position

Property, plant and equipment

Value if no change in estimate was made	2 007 096 844	-
Change in useful life estimate adjustment	31 070 335	-
	2 038 167 179	**-**

Statement of Financial Performance

Depreciation

Value if no change in estimate was made	130 201 968	-
Change in useful life estimate adjustment	(31 070 335)	-
	99 131 633	**-**

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
- Defined contribution plans as 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;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

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

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

The entity has adopted the standard for the first time in the 2014 financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets. All

amendments to be applied retrospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning - includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development - includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development - includes designing the appearance of web pages.
- Content development - includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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

The entity has adopted the amendment for the first time in the 2014 financial statements.

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

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

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2014.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

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

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

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

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

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

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

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

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations. It is

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

GRAP 105: Transfers of functions between entities under common control

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. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2015.

The entity expects to adopt the standard for the first time in the 2015 financial statements.

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

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2015.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2015.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

IGRAP 11: Consolidation - Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The entity does not envisage the adoption of the interpretation standard until such time as it becomes applicable to the entity's operations.

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

Notes to the Financial Statements

3. New standards and interpretations (continued)

IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The entity does not envisage the adoption of the interpretation until such time as it becomes applicable to the entity's operations It is

unlikely that the interpretation will have a material impact on the entity's financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

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

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure. All amendments to be applied prospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations. It is

unlikely that the amendment will have a material impact on the entity's financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations. It is

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

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

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

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

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

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations. It is

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

Notes to the Financial Statements

	2014 R	2013 R

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	39 613 036	120 474 664
Short-term deposits	280 205 363	225 245 328
	319 818 399	**345 719 992**

Short-term deposits consist of:

ABSA - 32 Day call account	107 818 543	101 876 374
ABSA - 1 Day call account	172 386 820	123 368 954
	280 205 363	**225 245 328**

Short-term deposits consists of the following short term investments with ABSA. The details and interest earned on these investments are set out below:

- ABSA 32 Day call account with an interest rate of 6.13%.

- ABSA 1 Day call account with varying interest rates between 0.00% and 6.00% depending on the amount invested.

The entity had the following bank and investment accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque account - 4058833582	30 473 525	72 363 124	58 388 198	34 266 178	105 476 575	136 450 888
ABSA Bank - Cheque account - 4055133721	55	528 653	-	55	526 034	-
ABSA Bank - Cheque account - 4054065339	142 041	257 714	-	142 041	237 547	-
ABSA Bank - Cheque account - 470001402	7 032 350	2 453 152	-	6 978 770	1 408 119	-
ABSA Bank - Cheque account - 4054530924	8 424	1 335 059	-	(6 530)	1 308 567	-
ABSA Bank - Cheque account - 4078209583	202 707	19 805 133	99 208 123	(1 795 792)	11 503 501	26 416 876
ABSA Bank - Cheque account - 4080522070	21 344	14 176	-	21 344	14 176	-
ABSA Bank - Cheque account - 4080521896	6 970	145	-	6 970	145	-
Total	**37 887 416**	**96 757 156**	**157 596 321**	**39 613 036**	**120 474 664**	**162 867 764**

Notes to the Financial Statements

	2014 R	2013 R
5. Inventories		
Raw materials, components	66 324 946	55 123 978
	66 324 946	55 123 978
Inventories (write-downs)	(51 473)	(8 859)
	66 273 473	**55 115 119**

An assessment of the net realisable value against cost was performed and inventory was written down.

Inventory pledged as security

No inventory was pledged as security.

6. Consumer debtors

Gross balances		
Electricity	765 470 061	725 558 274
Less: Allowance for impairment		
Electricity	(402 512 277)	(377 628 950)
Net balance		
Electricity	362 957 784	347 929 324
Electricity		
Current (0 -30 days)	127 023 153	129 656 983
31 - 60 days	63 028 100	49 064 485
61 - 90 days	31 286 651	37 297 590
90+ days	412 290 677	377 061 040
Meter reading estimate at year end	132 408 765	132 488 153
Accrual prepaid sales	-	185 110
Discounting	(115 778)	(118 877)
Transferred to non-current receivables	(451 507)	(76 210)
	765 470 061	**725 558 274**

Notes to the Financial Statements

	2014 R	2013 R

6. Consumer debtors (continued)

Summary of debtors by customer classification

Residential and sundry		
Current (0 -30 days)	26 013 852	56 710 320
31 - 60 days	20 133 246	37 744 695
61 - 90 days	9 764 822	13 980 598
90+ days	164 247 699	176 689 700
	220 159 619	**285 125 313**
Business/Commercial and municipal		
Current (0 -30 days)	82 813 380	66 021 279
31 - 60 days	35 577 190	47 804 778
61 - 90 days	20 655 437	11 778 198
90+ days	234 093 504	166 529 289
	373 139 511	**292 133 544**
Government		
Current (0 -30 days)	18 195 921	6 509 815
31 - 60 days	7 317 664	1 018 231
61 - 90 days	866 392	337 305
90+ days	13 949 474	7 955 890
	40 329 451	**15 821 241**
Total		
Current (0 -30 days)	127 023 153	129 656 983
31 - 60 days	63 028 100	49 064 485
61 - 90 days	31 286 651	37 297 590
90+ days	412 290 677	377 061 040
	633 628 581	593 080 098
Provision for debt impairment	(402 512 277)	(377 628 950)
Meter reading estimate	132 408 765	132 488 153
Discounting	(115 778)	(118 877)
Accrual prepaid sales	-	185 110
Transferred to non-current receivables	(451 507)	(76 210)
	362 957 784	**347 929 324**
Provision for debt impairment		
Provision for debt impairment	(402 512 277)	(377 628 950)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(377 628 950)	(341 059 445)
Contributions to allowance	(24 883 327)	(36 569 505)
	(402 512 277)	**(377 628 950)**

Notes to the Financial Statements

	2014 R	2013 R

6. Consumer debtors (continued)

Consumer debtors pledged as security

No consumer debtors were pledged as security in the current or prior financial period.

Fair value of consumer debtors

Consumer debtors are reflected net of the provision for doubtful debt and the effect of discounting. The interest rate used in discounting is the prime rate at period end adjusted for CPI applicable to the public sector.

The entity enters into settlement agreements with debtors whose accounts are long overdue and these are not charged any interest. The balance that is settled over a period longer than 12 months is deemed to constitute a financing arrangement and is accounted for at the net present value of the future cash flows. The accounts which are due for more than 12 months are disclosed as non-current receivables.

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Unwinding of discount is included in the notes to the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipal entity does not hold any collateral as security.

Fair value of the consumer debtors approximates the carrying value at year end.

7. Other financial assets

Loans and receivables		
Kopanong Local Municipality	1 841 385	2 073 586
The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%		
Mohokare Local Municipality	988 847	1 105 150
The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%		
Naledi Local Municipality	309 229	423 075
The capital funding provided to Naledi Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%		
Consumer debtors - Arrangements	451 507	76 210
Consumer debtors with arrangements which stretches over a period longer than 12 months.		
	3 590 968	**3 678 021**
Non-current assets		
Loans and receivables	3 154 024	3 215 673
Current assets		
Loans and receivables	436 944	462 348

Notes to the Financial Statements

	2014 R	2013 R

7. Other financial assets (continued)

Financial assets at fair value

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

None of the loans or receivables were pledged as security for any financial liabilities and no securities are held for any of the noncurrent loans and receivables

Fair value of the other financial assets approximates the carrying value at year end.

8. Receivables from exchange transactions

Deposits	710 779	202 326
DOE Grant - Southern Free State Towns	5 087 728	5 434 000
Insurance debtor	2 976 249	2 976 249
Inter company loan	895 938 230	956 074 558
Kopanong Local Municipality	14 930 749	9 496 720
Mangaung metropolitan municipality - Other receivables	204 242 014	114 127 152
Mohokare Local Municipality	13 007 287	5 595 666
Naledi Local Municipality	14 484 740	7 696 639
Other receivables	760	375 081
Prepaid expenses	211 568	-
Receipt reversal	1 522 889	1 541 551
Trade payables in debit	-	32 931
	1 153 112 993	**1 103 552 873**

Trade and other receivables pledged as security

No trade and other receivables were pledged as security for overdraft facilities of the municipal entity.

Included in the R 204 242 014 (2013: R 114 127 152) amount receivable from Mangaung metropolitan municipality is an amount of R198 936 699 (2013: R 105 929 549) which Mangaung metropolitan municipality is in the process of disputing. This dispute relates to amounts invoiced by the municipal entity to Mangaung metropolitan municipality for electricity consumption for both, public lighting and municipal owned properties as well as street light repairs.

The creation and release of provision for impaired receivables have been included in expenses in surplus or deficit.

Unwinding of discount is included in interest received in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipal entity does not hold any collateral as security.

Fair value of the receivables from exchange transactions approximates the carrying value at year end.

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value Valuation and accumulated impairment**	**Cost / depreciation**	**Accumulated**	**Carrying value**
Land	7 560 000	-	7 560 000	7 560 000	-	7 560 000
Buildings	65 183 372	(10 565 513)	54 617 859	62 235 831	(7 628 177)	54 607 654
Infrastructure	2 477 431 639	(629 925 326)	1 847 506 313	2 573 293 603	(832 632 026)	1 740 661 577
Motor vehicles	88 952 682	(45 787 085)	43 165 597	51 408 448	(39 644 006)	11 764 442
Office equipment	32 346 164	(11 412 767)	20 933 397	18 596 496	(7 739 956)	10 856 540
Leased Assets	845 712	(560 710)	285 002	905 010	(561 511)	343 499
Total	**2 672 319 569**	**(698 251 401)**	**1 974 068 168**	**2 713 999 388**	**(888 205 676)**	**1 825 793 712**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Capital work in progress**	**Disposals reversal**	**Depreciation**	**Impairment**	**Total**
Land	7 560 000	-	-	-	-	-	7 560 000
Buildings	54 607 654	2 947 541	-	-	(2 937 336)	-	54 617 859
Infrastructure	1 740 661 577	91 764 567	90 236 959	-	(75 156 790)	-	1 847 506 313
Motor vehicles	11 764 442	37 786 178	-	(18 213)	(6 697 731)	330 921	43 165 597
Office equipment	10 856 540	13 749 668	-	-	(3 672 811)	-	20 933 397
Leased Assets	343 499	237 934	-	-	(296 431)	-	285 002
	1 825 793 712	**146 485 888**	**90 236 959**	**(18 213)**	**(88 761 099)**	**330 921**	**1 974 068 168**

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Capital work in progress	Disposals	Transfers loss	Depreciation	Impairment	Total
Land	7 560 000	-	-	-	-	-	-	7 560 000
Buildings	57 052 195	-	-	-	-	(2 444 541)	-	54 607 654
Infrastructure	1 685 850 905	167 818 612	88 670 013	-	(104 536 690)	(97 141 263)	-	1 740 661 577
Motor vehicles	21 239 439	-	-	(37 260)	-	(9 106 816)	(330 921)	11 764 442
Office equipment	9 485 128	4 713 997	-	-	-	(3 342 585)	-	10 856 540
Leased Assets	518 772	118 402	-	(3 003)	-	(290 672)	-	343 499
	1 781 706 439	**172 651 011**	**88 670 013**	**(40 263)**	**(104 536 690)**	**(112 325 877)**	**(330 921)**	**1 825 793 712**

Pledged as security

No property, plant and equipment are pledged as security

Revaluations

The effective date of the revaluations for the properties were 14 May 2010. Revaluations for properties were performed by the independent valuer, Mr. Michael Border, a professional valuer in terms of the Valuer's Act (Act 23 of 1982) of Border's Real Estate Valuers. Border's Real Estate Valuers is not connected to the entity.

The effective date of the revaluations for the infrastructure assets were 30 June 2010. Revaluations for infrastructure assets were performed by the independent valuer, Mr. Ruan Botha, Pr Tech Eng, CEM, CMVP of Corrective Power. Corrective Power is not connected to the entity.

The valuations were performed using the depreciated replacement costs method.

Notes to the Financial Statements

	2014 R	2013 R

9. Property, plant and equipment (continued)

Restrictions on title

Carrying value of assets not yet legally transferred from Mangaung Local Municipality to Centlec (SOC) Ltd in accordance with the Sale of Business agreement:

Land and buildings	65 129 312	65 129 312
The intention of the sale of business agreement was to sell the land and buildings to the municipal entity for operational usage. The municipal entity has been using the land and buildings for operational usage since inception, 1 July 2005, but as at year end 30 June 2014 the land and buildings have not yet been legally transferred from Mangaung Metropolitan Municipality to the municipal entity.		
	65 129 312	**65 129 312**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	**Total**
Opening balance	49 451 620	49 451 620
Additions/capital expenditure	90 236 959	90 236 959
	139 688 579	**139 688 579**

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	**Total**
Opening balance	65 377 532	65 377 532
Additions/capital expenditure	88 670 013	88 670 013
Transferred to completed items	(104 536 690)	(104 536 690)
	49 510 855	**49 510 855**

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

Notes to the Financial Statements

	2014 R	2013 R

10. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, internally generated	28 083 936	(12 743 997)	15 339 939	27 276 797	(7 328 500)	19 948 297
Servitudes	84 440 225	-	84 440 225	83 348 236	-	83 348 236
Total	**112 524 161**	**(12 743 997)**	**99 780 164**	**110 625 033**	**(7 328 500)**	**103 296 533**

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software and licenses	19 948 298	3 000 510	(7 608 869)	15 339 939
Servitudes	83 348 236	1 091 989	-	84 440 225
	103 296 534	**4 092 499**	**(7 608 869)**	**99 780 164**

Reconciliation of intangible assets - 2013

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software and licenses	12 917 138	12 918 448	(5 887 288)	19 948 298
Servitudes	82 442 199	906 037	-	83 348 236
	95 359 337	**13 824 485**	**(5 887 288)**	**103 296 534**

Pledged as security

No intangible assets were pledged as security.

Notes to the Financial Statements

	2014 R	2013 R

11. Investments

Bank investments

Nedbank The investment is a short-term fixed deposit for a period of 241 days which earns interest at 5.86%.	62 320 938	-
First National Bank The investment is a short-term fixed deposit for a period of 241 days which earns interest at 5.82%.	62 278 735	-
ABSA The investment is a short-term fixed deposit for a period of 201 days which earns interest at 5.93%	61 959 337	-
	186 559 010	**-**

Fair value of the investments approximates the carrying value at year end.

12. Consumer deposits

Electricity	49 493 463	49 038 718

Guarantees in lieu of vendor deposits amounted to R 13 770 891 (2013: R 6 070 891).

Fair value approximates the carrying value of the vendor deposits.

13. Operating lease accrual

Non-current liabilities	(222 541)	(174 521)
Current liabilities	(149 479)	(28 728)
	(372 020)	**(203 249)**

The municipal entity leases a building from Free State Development Corporation (FDC) situated in Botshabelo for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until the year 2016. The lease rental is escalated annually on 1 December by 10%. The straight lined amount was calculated as R29 825 per month.

The municipal entity leases a building from Telkom SA (SOC) Ltd situated in Bloemfontein for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%. The straight lined amount was calculated as R232 514 per month.

Notes to the Financial Statements

	2014 R	2013 R

14. Finance lease obligation

Minimum lease payments due		
- within one year	196 565	300 918
- in second to fifth year inclusive	135 027	125 086
- later than five years	-	-
	331 592	426 004
less: future finance charges	(26 810)	(33 876)
Present value of minimum lease payments	**304 782**	**392 128**

Present value of minimum lease payments due		
- within one year	177 223	273 447
- in second to fifth year inclusive	127 559	118 681
- later than five years	-	-
	304 782	**392 128**
Non-current liabilities	127 558	118 681
Current liabilities	177 224	273 447
	304 782	**392 128**

It is the entity's policy to lease certain photo copiers under finance leases. The average lease term is 3 years and the average effective borrowing rate was 10% (2013: 10%). Initial lease payment varied between R153 and R9 035 per month for a lease period of between 3-5 years and are subject to prime lending rates.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

15. Other current & non-current financial liabilities

Held at amortised cost		
Capital Advances Mangaung Metropolitan Municipality	109 875 507	122 642 380

The capital funding provided to the municipal entity is repayable in monthly installments based on the estimated useful life of the capital asset as initially determined by Mangaung Metropolitan Municipality. The capital funding provided to the municipal entity will bear interest annually at the interest rate equal to the prime lending rate on the first day of each financial year and shall thereafter be fixed for the entire financial year. The prime interest rate at 1 July 2013 was 8.5% (2012/13: 8.5%)

Non-current liabilities		
At amortised cost	102 562 882	109 875 508

Current liabilities		
At amortised cost	7 312 625	12 766 872

Notes to the Financial Statements

	2014 R	2013 R

16. Long service awards

Reconciliation of long service awards - 2014

	Opening Balance	Actuarial (gains) / losses	Utilised during the year	Current service costs	Interest costs	Total
Provision for long service award	2 915 000	(637 821)	(108 179)	626 000	234 000	3 029 000

Reconciliation of long service awards - 2013

	Opening Balance	Actuarial (gains) / losses	Utilised during the year	Current service costs	Interest costs	Total
Provision for long service award	695 000	2 018 676	(49 676)	192 000	59 000	2 915 000

Non-current liabilities	2 432 000	2 525 000
Current liabilities	597 000	390 000
	3 029 000	**2 915 000**

The long service awards liability arises from the municipal entity being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC . This agreement is effective 1 July 2010.

The long service awards plan is a defined benefit plan. At year end 177 (2013 - 140) employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R 623 000 (2013 - R 626,000) whereas the interest-cost for the next year is estimated to be R 251 000 (2013 - R 234,000).

As at the valuation date, the long service leave award liability of the Organisation was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

The key assumptions utilised by management in determining the Long service awards liability are listed below:

Discount Rate	7.96%	7.4%
Salary Increase	7.33%	6.66%
Net Discount rate	0.59%	0.69%
Mortality	SA85-90	SA85-90
Normal Retirement age	65	65
Average Retirement Age	63	63
Consumer price inflation (CPI)	6.33%	5.66%

Present value of unfunded obligations:

Present value of unfunded obligations	(3 029 000)	(2 915 000)

Reconciliation of present value of fund obligations

Present value of fund obligations at the beginning of the year	(2 915 000)	(695 000)
Current service costs	(626 000)	(192 000)
Long service awards paid	108 179	49 676
Interest costs	(234 000)	(59 000)
Actuarial gains / (losses)	637 821	(2 018 676)
	(3 029 000)	**(2 915 000)**

Notes to the Financial Statements

	2014 R	2013 R

16. Long service awards (continued)

Actuarial gain:

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in average salary - The average salary has decreased by around 30% over the past financial year from R 291 826 in 2013 to R 221 346 in 2014. This is mainly due to more employees being appointed in a lower salary bracket resulting in a lower average salary. This resulted in a decrease in the overall liability of around R 1 054 000.

2. Membership changes - Over the past financial year there were 39 employees transferred into the Organisation and there were also 2 new employees (employed after 30 June 2013) employed. This resulted in an increase in the overall liability of around R 652 000.

3. Changes in economic variables - Over the past financial year the net effective discount rate reduced from 0.69% to 0.59%. This caused the liability to increase by around R 27 000.

Sensitivity analysis:

In order to illustrate the sensitivity of the results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate:

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Organisation. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Organisation in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates have been illustrated by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

Withdrawal rate	**-20% Withdrawal rate**	**Valuation Assumption**	**+20% Withdrawal rate**
Total Accrued Liability	3 286 000	3 029 000	2 803 000
Current Service Cost	690 000	623 000	565 000
Interest Cost	274 000	251 000	231 000
	4 250 000	**3 903 000**	**3 599 000**

Normal salary inflation:

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in the normal salary inflation assumption was tested. The effect is as follows:

Normal salary inflation	**-1% Normal salary inflation**	**Valuation Assumption**	**+1% Normal salary inflation**
Total Accrued Liability	2 802 000	3 029 000	3 283 000
Current Service Cost	572 000	623 000	680 000
Interest Cost	231 000	251 000	274 000
	3 605 000	**3 903 000**	**4 237 000**

Notes to the Financial Statements

	2014 R	2013 R

17. Payables from exchange transactions

Trade payables	187 827 599	174 543 602
Accrued leave pay and bonus	5 501 502	2 728 761
Deferred revenue	7 882 940	8 086 342
Electricity connections	27 518 699	15 615 830
Mantsopa Local Municipality	2 757 101	884 161
Payments received in advance	61 088 115	110 717 920
Retention creditors	1 030 970	237 701
Salary control	390 483	173 731
Operating expense accrual	6 102 047	-
Unallocated deposits received	6 361 095	12 046 372
	306 460 551	**325 034 420**

18. VAT payable

VAT payable to SARS	14 864 023	22 095 427

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the financial year.

19. Loans from shareholders

Mangaung Metropolitan Municipality	(2 617 429 474)	(2 356 112 161)

The loans are unsecured and bears interest at the lower of 15% of the revenue (sale of electricity and pre-paid electricity) of the municipal entity for the previous financial year or the interest rate on the loan for the financial year ended 30 June 2011 adjusted annually for the CPI applicable to the Public Finance Sector.

Instalments of R267 867 789 are payable every five (5) years with the initial payment on 30 June 2015.

Non-current liabilities	(2 349 561 685)	(2 356 112 161)
Current liabilities	(267 867 789)	-
	(2 617 429 474)	**(2 356 112 161)**

20. Share capital / contributed capital

Authorised

1000 Ordinary shares of par value of R1	1 000	1 000

Issued

100 Ordinary shares	100	100

21. Revaluation reserve

Closing balance	116 739 388	116 739 388

Notes to the Financial Statements

	2014 R	2013 R

22. Other NDR

In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60 000 000 is to be held as a non-distributable reserve.

Closing balance	60 000 000	60 000 000

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Electricity demand side management grant	7 017 544	-

Movement during the year

Balance at the beginning of the year	-	-
Additions during the year	7 017 544	-
Conditions met - transferred to revenue	-	-
	7 017 544	**-**

24. Service charges

Free services recoverable	3 501 887	5 296 246
Sale of electricity	1 342 984 786	1 380 597 357
Sale of pre-paid electricity	458 504 668	361 518 068
	1 804 991 341	**1 747 411 671**

25. Interest Income

Interest on ABSA Current account	953 402	2 580 004
Interest on loans and receivables from exchange transactions	76 146 953	83 971 918
Interest on consumer debtors from exchange transactions	28 105 530	33 891 160
Interest on bank investments	20 595 118	4 206 471
	125 801 003	**124 649 553**

Short-term deposits consists of the following short term investments with ABSA, First National Bank & Nedbank. The details and interest earned on these investments are set out below:

- ABSA 32 Day call account with an interest rate of 6.13%.

- ABSA 1 Day call account with varying interest rates between 0.00% and 6.00% depending on the amount invested. -

ABSA 201 day fixed investment with an interest rate of 5.93%

- FNB 241 day/8 month investment with an interest rate of 5.82%.

- Nedbank 241 day/8 month investment with an interest rate of 5.86%

Notes to the Financial Statements

	2014 R	2013 R

26. Public contributions and donations

Public contributions	13 922 211	9 713 952
Donations received	11 742 509	-
	25 664 720	**9 713 952**

27. Bulk purchases

Electricity	1 104 234 872	1 065 571 895

28. Debt impairment

Contributions to debt impairment provision	24 883 327	36 569 505

29. Depreciation and amortisation

Property, plant and equipment	88 761 099	112 325 880
Intangible assets	7 608 869	5 887 288
	96 369 968	**118 213 168**

30. Government grants and subsidies

Capital grants

National electrification programme grant	36 842 105	21 929 825
Urban settlements development grant	31 315 056	92 735 084
	68 157 161	114 664 909
	68 157 161	**114 664 909**

Electricity demand side management grant

Current-year receipts	3 508 772	-
Transferred to parent municipality debtor	3 508 772	-
	7 017 544	**-**

To implement the Electricity Demand Side Management programme by providing capital subsidies to licensed distributors to address the programme in residential dwellings, communities and municipal buildings in order to mitigate the risk of load shedding and supply interruptions.

National Electrification Programme

Current-year receipts	36 842 105	21 929 825
Conditions met - transferred to revenue	(36 842 105)	(21 929 825)
	-	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Notes to the Financial Statements

	2014 R	2013 R

30. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	26 315 789	88 247 770
Conditions met - transferred to revenue	(31 315 056)	(92 735 084)
Conditions met - transferred to parent municipality debtor	4 999 267	4 487 314
	-	-

31. Revenue

Service charges	1 804 991 341	1 747 411 671
Income from agency services	4 725 487	8 602 841
Other income	41 469 478	19 654 126
Interest received	125 801 003	124 649 553
Government grants & subsidies	68 157 161	114 664 909
Public contributions and donations	25 664 720	9 713 952
	2 070 809 190	**2 024 697 052**

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

Service charges	1 804 991 341	1 747 411 671
Income from agency services	4 725 487	8 602 841
Other income	41 469 478	19 654 126
Interest received - investment	125 801 003	124 649 553
	1 976 987 309	**1 900 318 191**

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

Transfer revenue

Government grants & subsidies	68 157 161	114 664 909
Public contributions and donations	25 664 720	9 713 952
	93 821 881	**124 378 861**

32. Other income

Credit control fees	1 636 951	-
Insurance claim recovery	14 114	1 362 955
Reconnection tests and removals	243 586	244 817
Sale of clearance certificates	372 667	-
Sale of tender documents	175 235	254 824
Sundry services recovered	184 134	183 888
Training income	2 819 729	393 122
Other income	1 194 093	270 046
Street lighting	34 828 969	16 944 474
	41 469 478	**19 654 126**

Notes to the Financial Statements

	2014 R	2013 R

33. Employee related costs

Basic salary and wages	52 903 248	34 804 557
Bargaining council	17 874	10 448
Housing benefits and allowances	127 237	87 982
Long-service awards	222 179	2 269 676
Medical aid - company contributions	3 003 191	1 469 967
Overtime payments	4 979 688	2 797 368
Pension and provident fund contributions	5 406 933	3 038 697
Travel, motor car, accommodation, subsistence and other allowances	6 429 305	3 888 175
UIF contributions	332 944	154 544
	73 422 599	**48 521 414**

Remuneration of Chief Executive Officer

Annual Remuneration	1 460 348	569 449
Travel, motor car, accommodation, subsistence and other allowances	277 879	115 074
Contributions to UIF, Medical and Pension Funds	52 649	23 978
Acting Allowance	80 400	223 012
	1 871 276	**931 513**

During the 2014 financial year the Chief Executive Officer was suspended and the Executive Manager - Wires was appointed as the Acting Chief Executive Officer from 1 April 2014.

Remuneration of Chief Financial Officer

Annual Remuneration	940 977	542 188
Travel, motor car, accommodation, subsistence and other allowances	234 087	129 730
Contributions to UIF, Medical and Pension Funds	166 871	63 970
Acting Allowance	-	133 314
	1 341 935	**869 202**

Notes to the Financial Statements

	2014 R	2013 R

33. Employee related costs (continued)

Remuneration of Chief Operating Officer

Annual Remuneration	1 441 461	1 256 714
Travel, motor car, accommodation, subsistence and other allowances	158 872	152 020
Contributions to UIF, Medical and Pension Funds	17 563	16 544
Acting Allowance	-	88 990
	1 617 896	**1 514 268**

Remuneration of Company Secretary

Annual Remuneration	1 121 807	1 126 542
Travel, motor car, accommodation, subsistence and other allowances	108 180	128 000
Contributions to UIF, Medical and Pension Funds	52 088	63 619
	1 282 075	**1 318 161**

During the 2014 financial year the position became vacant when the Company Secretary resigned on the 31st of March 2014.

Remuneration of Executive Manager: Retail

Annual Remuneration	1 101 635	1 037 488
Travel, motor car, accommodation, subsistence and other allowances	149 483	124 920
Contributions to UIF, Medical and Pension Funds	14 056	13 167
	1 265 174	**1 175 575**

Remuneration of Executive Manager: Wires

Annual Remuneration	1 234 496	770 970
Travel, motor car, accommodation, subsistence and other allowances	18 860	4 800
Contributions to UIF, Medical and Pension Funds	56 490	161 102
Bonuses under remuneration	-	38 321
Acting allowance	61 901	511 986
	1 371 747	**1 487 179**

During the 2014 financial year the Executive Manager: Wires was appointed as acting Chief Executive Officer and an Acting Executive Manager: Wires was appointed from 1 April 2014.

Notes to the Financial Statements

	2014 R	2013 R

33. Employee related costs (continued)

Remuneration of Executive Manager: Corporate Services

Annual Remuneration	698 915	319 332
Travel, motor car, accommodation, subsistence and other allowances	8 580	34 615
Leave Paid	-	193 749
Contributions to UIF, Medical and Pension Funds	8 159	5 955
Acting Allowance	389 551	424 568
	1 105 205	**978 219**

During the 2014 financial year an acting Executive Manager: Corporate Services was appointed from 1 July 2013. A new Executive Manager: Corporate services was appointed and took office on 1 December 2013. The new Executive Manager: Corporate Services was suspended during the year and an Acting Executive Manager: Corporate Services was appointed from 1 March 2014.

Remuneration of directors

Directors Fees	1 248 024	1 248 024
Contributions to UIF, SDL & SALGBC	23 736	28 188
	1 271 760	**1 276 212**

34. Finance costs

Capital advances MMM	10 424 602	12 248 074
Finance leases	35 355	69 723
Shareholders loan	261 317 314	231 045 723
Trade and other payables	14 622	908 159
	271 791 893	**244 271 679**

35. Impairment of non-financial assets

Impairments

Property, plant and equipment The recoverable amount of the asset was assessed at the end of the 2012/13 financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised. During the 2013/14 financial year it was assessed that the conditions leading to the original impairment loss no longer exist and the impairment loss was reversed.	(330 921)	330 921
Inventories An assessment of the net realisable value against cost was performed and inventory was written down.	40 067	8 859
	(290 854)	**339 780**

Notes to the Financial Statements

	2014 R	2013 R

36. Management fees

Administration and management fees - Mangaung Metropolitan Municipality	100 666 986	106 046 017

Management fees are paid to Mangaung Metropolitan Municipality for employees seconded to the municipal entity.

37. General expenses

Advertising & marketing	4 182 920	970 773
Auditors remuneration	7 884 747	6 536 435
Bank charges	1 582 547	1 397 766
Bursaries	282 417	48 180
Cleaning	233 649	279 539
Commission paid	61 695 886	42 953 480
Computer expenses	414 860	188 432
Conferences and delegations	797 595	212 627
Consulting and professional fees	19 251 631	25 374 004
Consumables	2 541	8 980
Contractors fees	10 884 314	2 827 590
Corporate social investment	943 177	2 057 170
Credit control fees	871 903	-
Employment agencies	161 714	183 967
Entertainment	270 974	211 053
Fines and penalties	370 308	4 249 352
Fuel and oil	4 017 156	5 360 507
Insurance	17 753 633	1 499 320
Inter departmental consumption	1 027 519	934 266
Internal audit fee	3 717 812	4 919 117
Internal servitude expenditure	30 527	-
Lease rentals on operating lease	2 218 008	357 899
Leave provision	2 743 426	1 425 857
Legal costs	3 575 539	4 371 762
License fees	433 952	708 343
Meter reading	20 124 785	31 037 256
Other expenses	1 832 976	1 274 976
Postage and courier	7 550	10 004
Printing and stationery	3 144 214	3 551 689
Protective clothing	786 293	623 041
Security services	856 517	1 499 843
Skills development levy	519 908	500 936
Software expenses not capitalised	16 281	-
Staff welfare	478 502	1 148 682
Stock adjustments	(438 504)	(63 194)
Stores and materials	333 030	386 225
Subscriptions and membership fees	11 347	37 113
Telephone and fax	2 033 091	2 283 123
Training	1 578 998	1 889 104
Travelling	1 698 977	1 519 933
Vehicle tracking system	-	16 080
	178 332 720	**152 791 230**

Notes to the Financial Statements

	2014 R	2013 R

38. Taxation

The South African Revenue Authority confirmed that the municipal entity falls within the definition of a "regional electricity distributor" as defined in Section 1 of the Income Tax Act No.58 of 1962 (the Act). Annual receipts and accruals will therefore be exempt from normal tax under Section 10(1)(t)(viii) of the Act with effect from the commencement of the year of assessment ending on or after 1 January 2007.

The municipal entity was granted exemption from income tax in terms of Section 10(1)(t)(v)(iii) of the Income Tax Act on the 27 August 2012.

The relevant exemption is subject to the condition that annual income tax returns are submitted to SARS.

39. Auditors' remuneration

Audit fees	7 884 747	6 536 435

40. Cash generated from operations

Surplus	150 662 506	197 750 714
Adjustments for:		
Depreciation and amortisation	96 369 968	118 213 168
(Gain)/Loss on sale of assets and liabilities	18 213	40 263
Finance costs - Finance leases	35 355	69 723
Impairment	(290 854)	339 780
Debt impairment	24 883 327	36 569 505
Movements in operating lease assets and accruals	168 771	3 629
Movements in provisions	114 000	2 220 000
Changes in working capital:		
Inventories	(11 198 421)	(15 644 965)
Receivables from exchange transactions	(49 560 120)	(21 037 205)
Consumer debtors	(39 911 787)	(93 322 548)
Payables from exchange transactions	(18 573 870)	(84 020 096)
VAT receivable / payable	(7 231 404)	(9 377 901)
Unspent conditional grants and receipts	7 017 544	-
Consumer deposits	454 745	1 039 580
	152 957 973	**132 843 647**

Notes to the Financial Statements

	2014 R	2013 R

41. Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Property, plant and equipment - Infrastructure	29 283 224	23 262 724
Approved but not yet contracted for		
• Property, plant and equipment - Infrastructure	99 336 820	47 233 806
This expenditure will be financed from		
• Government grant	29 283 224	23 262 724
• Own resources	99 336 820	47 233 806
	128 620 044	**70 496 530**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 133 365	386 627
- within 2 to 5 years inclusive	4 470 692	893 109
- later than five years	-	-
	7 604 057	**1 279 736**

The municipal entity leases a building from Free State Development Corporation (FDC) situated in Botshabelo for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until 2016. The lease rental is escalated annually on 1 December at 10 %.

The municipal entity leases a building from Telkom SA (SOC) Ltd situated in Bloemfontein for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%. The straight lined amount was calculated as R232 514 per month.

Notes to the Financial Statements

	2014 R	2013 R

42. Contingencies

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain.

Contingent liabilities

Litigation against Centlec (SOC) Ltd to prohibit them from disconnecting electricity supply - M Coetzee.	200 000	200 000
Service agreement termination by Centlec (SOC) Ltd due to non performance - MNK Accountants.	50 000 000	45 000 000
Service agreement termination by Centlec (SOC) Ltd due to non performance - Monnamakga Construction & Development cc.	-	250 000
Litigation against Centlec (SOC) Ltd for breach of employment contract - Ramakarane.	3 000 000	3 000 000
Application brought against Centlec (SOC) Ltd for the review of tariffs imposed on sectional title units.	-	2 000 000
Labour disputes.	-	150 000
Investigations of garnishes on employee payslips.	200 000	-
Litigations of Centlec (SOC) Ltd vs Potgieter.	250 000	-
Litigations of easy pay extension of contract.	400 000	-
Litigations of Centlec (SOC) Ltd vs Vuyani Security Services.	750 000	-
Litigations of Centlec (SOC) Ltd vs Tlelai N.O. & Power Trust 66 (Lengau Hotel).	200 000	-
Litigations of Centlec (SOC) Ltd vs D.M. Letseli relating to re-instatement from suspension.	479 682	-
Litigations of Centlec (SOC) Ltd vs M.P. Seboka relating to disciplinary hearings.	909 728	-
	56 389 410	**50 600 000**

Contingent assets

The entity is taking legal actions against a supplier and the result of the pending claim is uncertain. The claim is being contested based on legal advice. The certainty and the timing of the inflow of these assets are uncertain. The details are as follows:

Summons issued against Landis & GYR for delivering defective meters to Centlec (SOC) Ltd	2 000 000	2 000 000

43. Prior period errors

The municipal entity corrected the following prior period errors retrospectively and restated comparative amounts In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:

43.1. Prior period error - Provision for leave pay understated:

During the period under review it was noted that the provision for leave was understated. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in payables from exchange transactions	(271 822)

Statement of Financial Performance

Increase in general expenses	271 822

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.2. Prior period error - Formula errors identified on the Infrastructure fixed asset register:

During the period under review it was noted that infrastructure assets were understated due to formulae errors contained within the detailed Fixed Asset Register. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in cost price infrastructure	3 661 152
Increase in accumulated depreciation of infrastructure	(4 476 878)
Decrease in opening accumulated surplus or deficit	815 726

43.3. Prior period error - Repairs and maintenance captured to incorrect vote:

During the period under review it was noted that items issued from inventory were incorrectly captured to the insurance receivable vote instead of repairs and maintenance. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

The effect of the restatement is summarised as below:

Statement of financial position

Decrease in receivables from exchange transactions	(98 695)

Statement of Financial Performance

Increase in repairs and maintenance	98 695

43.4. Prior period error - Expensing of inventory items not recorded:

During the period under review it was noted that items issued from inventory were not expensed in the correct period. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in opening accumulated surplus or deficit	31 489
Decrease in inventory	(31 489)

43.5. Prior period error - Miscellaneous expenditure/income incorrectly reversed:

During the period under review it was noted that an audit adjusting journal entry was incorrectly captured against miscellaneous expenditure/income. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in consumer receivables from exchange transactions	(187 406)
Decrease in receivables from exchange transactions	(187 406)

Statement of Financial Performance

Decrease in other income	374 812

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.6. Prior period error - Insurance claims received not recorded in statement of financial performance:

During the period under review it was noted that amounts received from insurance was held as a credit amount under consumer receivables from exchange transactions and was not recognised as income received from insurance. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in receivables from exchange transactions	1 362 955

Statement of Financial Performance

Increase in income received from Insurance	(1 362 955)

43.7. Prior period error - General expenses from 2011/2012:

During the period under review it was noted that there were general expenditure transactions from the 2011/2012 financial year that should have been cancelled in that year, the cancellation was never done on the accounting system. Therefore these transactions should be cancelled and corrected via prior period error. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions	20 575
Increase in opening accumulated surplus or deficit	(20 575)

43.8. Prior period error - SAMBA bank charges:

During the period under review it was noted a amount for bank charges owed to SAMBA was never accrued as at 30 June 2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in payables from exchange transactions	(34 304)

Statement of Financial Performance

Increase in general expenditure	34 304

43.9. Prior period error - Reversal of VAT input claimed:

During the period under review it was noted that a VAT audit done by SARS resulted in the discovery of input VAT claimed in error during the 2011/2012 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in value added tax payable	(119 114)
Decrease in opening accumulated surplus or deficit	119 114

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.10. Prior period error - Uncashed cheques:

During the period under review it was noted that uncashed cheques were never reversed and cancelled. These cheques relate to payments that were made during the 2011/2012 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in cash and cash equivalents	83 590
Increase in opening accumulated surplus or deficit	(83 590)

43.11. Prior period error - Vendors commission:

During the period under review it was noted an amount for vendors commission was raised in error as at 30 June 2012. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions	6 271
Increase in opening accumulated surplus or deficit	(6 271)

43.12. Prior period error - Bulk Purchases from 2011/2012:

During the period under review it was noted that a payable on bulk purchases statement for 2011/2012 was raised for the municipal entity. This amount was not to be paid by the municipal entity as there are no more amounts liable for bulk purchases by the municipal entity from 2011/2012. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions	16 729
Increase in opening accumulated surplus or deficit	(16 729)

43.13. Prior period error - Bulk purchases from 2012/2013:

During the period under review it was noted a amount for electricity bulk purchases were not accrued correctly at yearend. This was due to under payment on a payment made during 2012/2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in payables from exchange transactions	(140 878)

Statement of Financial Performance

Increase in electricity bulk purchases	140 878

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.14. Prior period error - Income tax payable:

During the period under review it was noted that the Income Tax Payable raised in 2011 for the 2005 Tax period was written off and the Income tax payable to SARS on 30 June 2014 is R Zero. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in income tax payable	6 152 047
Increase in opening accumulated surplus or deficit	(6 152 047)

43.15. Prior period error - Internally Generated Rights:

During the period under review it was noted that an internally generated rights (Servitudes) was incorrectly capitalised and it should have been expensed during the 2011/12 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in cost price intangible assets	(122 125 694)

Statement of Financial Performance

Increase in servitudes expenditure	122 125 694

43.16. Prior period error - Research Expenses - RPS Engineering:

During the period under review it was noted that a amount receivable was raised from Mangaung Metro Municipality for research cost incurred by the municipal entity on a contract with RPS Engineering. This should have been expensed by the municipal entity. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in receivables from exchange transactions	(22 513 750)

Statement of Financial Performance

Increase in servitudes expenditure	22 513 750

43.17. Prior period error - Public connection income:

During the period under review it was noted that an amount received during the year of 2012/2013 was never recognised as revenue after the connections was made due to the fact that the completion dates of the connections was not available at that time. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions	3 853 261

Statement of Financial Performance

Increase in public connection income	(3 853 261)

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.18. Prior period error - Finance lease obligation:

During the period under review it was noted that the finance lease obligation was understated in 2012/2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in finance lease obligation	12 471

Statement of Financial Performance

Decrease in general expenses	(12 471)

43.19. Prior period error - Current & non-current finance lease obligation:

During the period under review it was noted that the finance lease obligation was understated in 2012/2013. The current and non current liability had to be restated due to the understatement of the total finance lease obligation. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Finance lease obligation - current liability	(10 750)
Decrease in finance lease liability - non-current liability	10 750

43.20. Prior period error - Street lighting income reclassification:

During the period under review it was noted that the street lighting income for street light maintenance services provided during 2012/13 financial year was incorrectly allocated to the street lighting expense. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Performance

Increase in other income	(16 935 843)
Increase in general expenses	16 935 843

43.21. Prior period error - Impairment reclassification:

During the period under review it was noted that the impairment on vehicles for the 2012/13 financial year was incorrectly allocated to depreciation. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Performance

Decrease in depreciation	(330 921)
Increase in impairment	330 921

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.22. Prior period error - Leased asset not capitalised:

During the period under review it was noted that leased assets were incorrectly capitalised in the wrong financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in cost price leased assets	21 784
Increase in finance lease liability	(21 784)
Decrease in cost price leased assets	(8 910)
Decrease in accumulated depreciation leased assets	5 907
Increase in accumulated depreciation leased assets	(12 230)
Decrease in opening retained earnings	1 470

Statement of Financial Performance

Increase in depreciation leased assets	10 760
Increase in loss on sale of asset	3 003

43.23. Prior period error - Salary liability:

During the period under review it was noted that during the 2012/13 financial year general expenses were miss allocated as part of the salary control account and these expenses should have been expensed as general expenses and not carried as part of the salary liability. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in trade payables from exchange transactions	(154 893)

Statement of Financial Performance

Increase in general expenses	154 893

43.24. Prior period error - Consumer receivables from exchange transactions reclassification:

During the period under review it was noted that unallocated deposits was incorrectly classified as part of consumer debtors during the 2012/13 financial year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in consumer receivables from exchange transactions	12 046 372
Increase in payables from exchange transactions	(12 046 372)

Notes to the Financial Statements

	2014 R	2013 R

43. Prior period errors (continued)

43.25. Prior period error - Consumer receivables from exchange transactions reclassification:

During the period under review it was noted that various items of office furniture and computer equipment were omitted from the fixed asset register. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in cost price office equipment	3 608 269
Increase in accumulated depreciation office equipment	(1 775 921)
Increase in opening accumulated surplus	(2 525 507)

Statement of Financial Performance

Increase in depreciation office equipment	693 159

43.26. Prior period error - Bursaries reclassification:

During the period under review it was noted bursaries expenses were classified under employee related costs and it should have been classified under general expenses. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial Performance

Decrease in employee related costs	(48 180)
Increase in general expenses	48 180

43.27. Prior period error - Grant receivable:

During the period under review it was noted that grants receivable from MMM relating to the 2011/12 financial year will not be reimbursed due to correct roll-over procedures not being followed. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in receivables from exchange transactions	(24 747 244)
Decrease in opening accumulated surplus	24 747 244

	2014 R	2013 R

44. Events after the reporting date

The directors are aware of the following matters and circumstance arising since the end of the financial year that would have an impact on the financial statements:

The municipal entity experienced a change of leadership at its senior management level after the financial year end. Mr. MP Seboka, the chief executive officer, tendered his resignation letter on 2 July 2014. The duties of the chief executive officer will become the temporary responsibility of an appointed acting official until the position is filled permanently. At year end the chief executive officer position was still vacant.

The services of Mrs. DM Letseli, head of corporate services were suspended during the financial year and subsequently withdrawn after year end. This resulted in an irregular expenditure to the value of R 715 654.00 as disclosed in the note on Irregular expenditure.

On the 10th of July 2014 Prof. L de Jager tendered her resignation as a member of the board of directors.

45. Going concern

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

The following analysis supports the going concern assumption:

Current assets (R 2 089 158 603) exceed current liabilities (R 653 939 698)

Total assets (R 4 166 160 959) exceed total liabilities (R 3 108 846 364)

The municipal entity has an accumulated surplus and other reserves of R 1 057 314 595.

The municipal entity has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipal entity has implemented a system to enhance the revenue collection and cash flow by improving on the debt recoverability processes.

Notes to the Financial Statements

	2014 R	2013 R

46. 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 are directly or indirectly controlled by the municipality; -

associates;

- joint ventures and management;

- key management personnel, and close members of the family of key management personnel;

- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence; and

- entities that control or exert significant influence over the municipality

Controlling entity

Mangaung Metropolitan Municipality is the sole shareholder of the municipal entity. The municipal entity was formed to take over all activities in respect of the supply of electricity.

Executive management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity. The economic entity's key management personnel includes the Chief Executive Officer, Chief Financial Officer, Company Secretary and Executive Managers.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the group.

Business transactions took place between the municipal entity and Jager Technologies CC. Prof L de Jager, a director of the municipal entity, has business interests in Jager Technologies CC due to being a close family member of one of the directors at Jager Technologies CC. The risk is mitigated by the fact that she did not form part of the municipal entity's forum that approved the service level agreement contract for Jager Technologies CC. The nature of the transactions is in the form of the municipal entity having a service level agreement with Jager Technologies CC to provide meter reading and meter auditing services.

Business transactions took place between the municipal entity and Sentech SOC Ltd. Mr. J.A. Mongake, a director of the municipal entity, is also a director of Sentech SOC Ltd. The nature of the transactions is in the form of the municipal entity having a service level agreement with Sentech SOC Ltd to provide IT related services.

	2014 R	2013 R
46. Related parties (continued)		
Related party balances		
Loan accounts - Owing by (To) related parties		
Mangaung Metropolitan Municipality - Advances	(109 875 508)	(122 642 380)
Mangaung Metropolitan Municipality - Shareholders Loan	(2 617 429 474)	(2 356 112 161)
Mangaung Metropolitan Municipality - Intercompany loan balance	895 938 230	956 074 558
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Mangaung Metropolitan Municipality	204 242 014	114 127 152
Municipal accounts	187 642 604	104 713 291
Related party transactions		
Interest paid to (received from) related parties		
Mangaung Metropolitan Municipality - Advances	10 424 602	12 248 074
Mangaung Metropolitan Municipality - Shareholder loan	261 317 314	231 045 723
Mangaung Metropolitan Municipality - Intercompany loan	(75 501 720)	(83 562 857)
Purchases from (sales to) related parties		
Mangaung Metropolitan Municipality - Electricity charges paid	2 457 310	27 690 867
Mangaung Metropolitan Municipality - Employee related costs paid	100 666 986	106 046 017
Mangaung Metropolitan Municipality - Telephone expenses	(143 520)	(1 310 487)
Mangaung Metropolitan Municipality - Insurance costs	-	(128)
Mangaung Metropolitan Municipality - Payments made on behalf of the municipal entity	-	(32 924)
Mangaung Metropolitan Municipality - Electricity charges - Municipal consumption	(73 713 443)	(63 418 892)
Mangaung Metropolitan Municipality - Electricity charges - Streetlight consumption	(37 005 216)	(31 021 355)
Mangaung Metropolitan Municipality - Reimbursable Expenses - Streetlight repairs and maintenance	(34 820 791)	(14 989 775)
Operating expense transactions with related parties		
Jager Technologies CC - Meter reading & -audit services	17 239 405	31 037 256
Sentech SOC Ltd	917 002	-
Compensation to directors and other key management		
Annual remuneration	7 999 639	5 622 683
Travel, motor car, accommodation, subsistence and other allowances	955 941	689 159
Contributions to UIF, Medical and Pension Funds	367 875	376 523
Acting allowance	531 852	1 381 870
Bonuses under remuneration	-	38 321
Leave paid	-	193 749
Directors fee	1 248 024	1 248 024
	11 103 331	**9 550 329**

	2014 R	2013 R

47. Directors' emoluments

Non-executive

2014

	Directors' fees	Company Contribution - UIF	Company Contribution - SDL	Company Contribution - SALGBC Fee	Total
Mr. LM Mbali (Chairperson)	312 012	1 785	3 120	51	316 968
Ms. FP Zitha (Deputy Chairperson)	208 008	1 785	2 080	51	211 924
Prof. L de Jager	121 334	1 213	1 213	51	123 811
Mr. MK Moroka	121 334	1 213	1 213	51	123 811
Mr. N Mokhesi	121 334	1 213	1 213	51	123 811
Mr. SG Xulu	121 334	1 213	1 213	51	123 811
Mr. SM Zimu	121 334	1 213	1 213	51	123 811
Mr. TJ Mongake	121 334	1 213	1 213	51	123 811
	1 248 024	**10 848**	**12 478**	**408**	**1 271 758**

2013

	Directors' fees	Company Contribution - UIF	Company Contribution - SDL	Total
Mr. LM Mbali (Chairperson)	312 012	1 713	4 335	318 060
Ms. FP Zitha (Deputy Chairperson)	208 008	1 713	2 890	212 611
Prof. L de Jager	121 334	1 237	1 686	124 257
Mr. MK Moroka	121 334	1 237	1 686	124 257
Mr. N Mokhesi	121 334	1 237	1 686	124 257
Mr. SG Xulu	121 334	1 237	1 686	124 257
Mr. SM Zimu	121 334	1 237	1 686	124 257
Mr. TJ Mongake	121 334	1 237	1 686	124 257
	1 248 024	**10 848**	**17 341**	**1 276 213**

Notes to the Financial Statements

	2014 R	2013 R

48. Risk management

Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and procedures for measuring and managing financial risks. Further quantitive disclosures are included in the Annual Financial Statements.

The Board of directors has overall responsibility for the establishment and oversight of the municipal entity's risk management framework. The municipal entity's audit committee oversees the monitoring of compliance with the municipal entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipal entity. The audit committee is assisted in its oversight role by the municipal entity's internal audit function.

The municipal entity's exposure to risk is similar to that of the previous year. The municipal entity still faces the same risks as in the previous financial year.

The municipal entity monitors and manages the financial risks relating to the operations of the municipal entity through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;

- credit risk; and

- market risk (including interest rate risk).

The municipal entity seeks to minimise the effects of these risks in accordance with the municipal entity's policies approved by the Board. The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipal entity does not enter into or trade in financial instruments for speculative purposes.

	2014 R	2013 R

48. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipal entity's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipal entity manages liquidity risk through ongoing review of commitments.

The municipal entity has started replacing rotational meters with prepaid meters to improve the cash funds available.

The municipal entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipal entity has not defaulted on payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the municipal entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipal entity.

The table below analyses the municipal entity’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

2014	Less than 1 year	Between 1 and 2 years
Other financial liabilities	7 312 625	102 562 882
Finance lease	177 224	127 558
Trade and other payables	306 460 551	-
	313 950 400	**102 690 440**

2013	Less than 1 year	Between 1 and 2 years
Other financial liabilities	12 766 872	109 875 508
Finance lease	273 447	118 681
Trade and other payables	325 034 420	-
	338 074 739	**109 994 189**

Notes to the Financial Statements

	2014 R	2013 R

48. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The municipal entity utilizes a system where when debtors do not settle their account within 60 days a warning letter is issued after which the electricity supply will be cut until the account is settled. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipal entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

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

Financial instrument	2014	2013
Cash and cash equivalents	319 818 399	345 719 992
Investments	186 559 010	-
Consumer receivables from exchange transactions	362 957 784	347 929 324
Receivables from exchange transactions	1 153 112 993	1 103 552 873

These balances represent the maximum exposure to credit risk.

Notes to the Financial Statements

	2014 R	2013 R

48. Risk management (continued)

Market risk

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the municipal entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

Foreign Currency Risk
The municipal entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.
Interest Rate Risk
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipal entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipal entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows: - Call and notice deposits
- Current bank accounts
- Intercompany loans
- Shareholder loans
- Capital advances
- Interest charged on consumer receivables from exchange transactions overdue

The municipal entity's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

Interest charged on the inter company loans are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these loans.

Fair values

The municipal entity's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Notes to the Financial Statements

	2014 R	2013 R

48. Risk management (continued)

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The entity's financial instruments are affected by the whole sale price of electricity from ESKOM.

Notes to the Financial Statements

	2014 R	2013 R

49. Fruitless and wasteful expenditure

Opening balance	69 068 312	52 438 664
Identified in current year:		
- Relating to prior year	-	3 507 604
- Current year	77 448	4 696 504
Reported incorrectly in previous year	-	8 425 540
Amounts written off by council	(69 145 760)	-
	-	**69 068 312**

Details of fruitless and wasteful expenditure incidents relating to 2013/14 is set out as follows:

Incident	Incident resolution	
Interest on late payment and submission of EMP 201	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and the expense has been submitted to council for consideration of being written off.	4 305
Late annual renewal of vehicle licence discs	The penalties were incurred as result of lack of capacity within the responsible unit. No official of the entity is liable and the expense has been submitted to council for consideration of being written off.	2 136
Interest incurred on late payment of ESKOM Electricity accounts	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and the expense has been submitted to council for consideration of being written off.	22 640
Interest on late payment and or submission of VAT 201 return	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and the expense has been submitted to council for consideration of being written off.	48 367
		77 448

Details of fruitless and wasteful expenditure incidents relating to prior years is set out as follows:

Incident	Incident resolution	
Reported incorrectly in previous year	Fruitless and wasteful expenditure reported as irregular in 2009/10	8 425 540

Analysis of expenditure to be considered for write off by council are as follows:

Relating to prior years	69 068 312
Current year	77 264
	69 145 576

50. Irregular expenditure

Opening balance	275 016 333	148 595 252
Identified in current year		
- Relating to prior year	498 737	61 827 328
- Current year	37 975 950	75 164 235
Reported incorrectly in previous year	-	(10 570 482)
Amounts written off by council	(304 946 937)	-
	8 544 083	**275 016 333**

Notes to the Financial Statements

	2014 R	2013 R

50. Irregular expenditure (continued)

Analysis of expenditure to be considered for write off by council per age classification

Current year	38 474 687	-
Prior years	-	275 016 333
	38 474 687	**275 016 333**

Details of irregular expenditure incidents relating to 2013/14.

Incident	Disciplinary steps taken/criminal proceedings	
Competitive bidding processes were not followed	The expenditure was incurred in the current year. No disciplinary steps taken as the expenditure were incurred as a result of the separation of the financial system of the entity from the parent municipality. The expenditure has been submitted to council for consideration of being written off.	35 838 538
Sponsorship	Sponsorships were provided without complying with the supply chain management processes. The expenditure was not considered for write off by council as it was identified after year end.	150 000
Chief executive officer appointment	The appointment of the former executive manager - corporate services was considered irregular and the appointment was withdrawn with effect from 30 June 2014.	715 654
Others	Payment to directors without final council approval. The expenditure has been submitted to council for consideration of being written off.	1 271 758
Total 2013/14 irregular expenditure.		**37 975 950**

The irregular expenditure incurred in the 2013/14 financial year amounts to R 37 975 950. However management did not have adequate time during the audit to quantify the full extent of the irregular expenditure.

Details of irregularly expenditure incidents relating to prior years is set out as follows:

Incident	Disciplinary steps taken/criminal proceedings	
Supporting documents for 2011/12 relating to travel and subsistence expense could not be obtained.	The expenditure was incurred in the 2011/12 financial year. Sufficient supporting documents could not be obtained.	498 737
		498 737

Reported incorrectly in previous year:

Fruitless and wasteful expenditure reported as irregular.	Corrective action taken to ensure correct classification.	8 425 540
Supporting documents were not submitted for audit purposes.	Subsequent review indicate documents are available.	2 144 942
		10 570 482

Notes to the Financial Statements

	2014 R	2013 R

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	374 805	35 024
Current year fees	7 884 618	6 536 435
Amount paid - current year	(7 884 618)	(6 160 312)
Amount paid - previous years	(374 805)	(36 342)
	-	**374 805**

Distribution losses

In the current year the energy losses were 13.80 % (2013: 11.73%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

kWh - units	237 761 593	204 919 232
Rand value	152 417 857	193 265 509
Percentage	13.80%	11.73%

The electricity distribution loss comprises of technical and non-technical losses. For the 2013/14 financial year the distribution losses amount to 13.80%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 125 190 597 kWh - units with a rand value of R80 253 847.

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 112 570 996 kWh - units with a rand value of R72 164 010.

PAYE, UIF and SDL

Opening balance	(10 800)	3 837 416
Payable for the current year	13 728 967	9 444 955
Interest and penalties - current year	216 202	295 789
Interest and penalties - reversed by SARS	(213 273)	-
Amount paid - current year	(13 731 831)	(9 455 758)
Amount paid/refunded - previous years	10 800	(4 133 202)
	65	**(10 800)**

Notes to the Financial Statements

	2014 R	2013 R

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	16 017	-
Payable for the current year	12 385 771	6 724 066
Amount paid - current year	(12 389 396)	(6 708 049)
Amount paid - previous years	(15 727)	-
	(3 335)	**16 017**

Supply Chain Management Regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved and/or condoned by the Accounting Officer and noted by the Board of Directors.

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Incident	2014	Number of deviations	2013	Number of deviations
Emergency	-	-	390 513	8
Sole supplier	750 696	12	10 293 479	17
Urgent	2 951 809	74	2 655 290	4
Other	23 572 962	680	15 486 911	621
	27 275 467	**766**	**28 826 193**	**650**

VAT

VAT payable	14 864 023	22 095 427

All VAT returns have been submitted by the due date throughout the year.

Notes to the Financial Statements

	2014 R	2013 R

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
J Nothnagel	-	1 357	1 357
E Snyman van Deventer	-	3	3
MB Monanyane	5 524	64 684	70 208
DX Pongolo	10	387	397
LA Masoetsa	3 966	-	3 966
MA Siyonzana	7 394	2 634	10 028
ED Mashoane	1 941	76 113	78 054
CSK Sechoaro	3 164	3 664	6 828
TM Manyoni	4 092	-	4 092
BJ Viviers	2 214	-	2 214
	28 305	**148 842**	**177 147**

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
J Nothnagel	23 505	80 445	103 950
JD Powell	411	-	411
E Snyman van Deventer	9	439	448
MB Monanyane	9 391	54 054	63 445
DX Pongolo	7	357	364
LA Masoetsa	-	5 289	5 289
MA Siyonzana	3 136	4 220	7 356
ED Mashoane	1 383	70 532	71 915
CSK Sechoaro	-	1 399	1 399
BNV Madela	844	470	1 314
NM Zophe	538	4 329	4 867
JC Pretorius	-	2 343	2 343
KS Sechoaro	300	90	390
	39 524	**223 967**	**263 491**

Notes to the Financial Statements

	2014 R	2013 R

52. Budget differences

Variance Explanations

The budget is approved on an accrual basis by nature of classification. The budget and the accounting bases are both on the accrual basis. The annual financial statements are prepared using the nature of expenses in the statement of financial performance. The approved budget covers the fiscal period from 1 July 2013 to 30 June 2014.

Changes from approved budget to final budget are the result of reallocations and shifting within the budget.

Basis for material differences between budget and actual amounts

It is general practice to deem a 5% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

1. Service charges - The main reason for the variance is a decrease in the actual due to embedded generation, savings by customers and electricity theft. The decrease in actual amounts are in line with the purchase pattern observed during the current and previous years.

2. Income from agency services - The main reason for the variance is under budgeting of agency services relating to services rendered to Southern Free State municipalities.

3. Other Income - The main reason for the variance is the incorrect budgeting of consumer deposits under other income and the budgeting for fees recovered relating to the credit control plan which was not implemented during the year.

4. Interest received on investments - The main reason for the variance is due to the interest charged on the intercompany loan. The interest charged is influenced by the movement on the intercompany balances during the year. The movement on the intercompany loan resulted in less interest charged on the loan than initially budgeted for.

5. Government grants & subsidies - Grants were not fully recovered, this is due to under spending on conditional grant funded projects.

6. Public contributions and donations - The main reason for the variance is due to a private electrification project that was donated to the municipal entity by the property developer, which resulted in the actual amount being higher than the original budget since there was not budgeted for any donations.

7. Personnel related costs - The main reason for the variance is due to the HR structure approval not being finalized during the year which resulted in underspending since vacancies which were budgeted for under the new structure was not filled.

8. Depreciation and amortisation - The main reason for the variance is due to a change in estimated useful life of assets and not budgeting for amortisation which resulted in a decrease in the actual amount to lower than what was originally budgeted for.

9. Finance costs - The main reason for the variance is due to the interest on the shareholders loan. The interest charged on the loan is influenced by the change in the CPI index for public sector which is used to calculate the interest on the shareholder loan

10. Debt impairment - The main reason for the variance is due to movement by customers from conventional rotational meters to pre paid meters and the increased effort in debt recovery by the municipal entity, which has significantly reduced the debtors balance.

11. Repairs and maintenance - The main reason for the variance is due to the fact that the municipal entity acquired a large number of new vehicles and equipment which resulted in a decrease in the overall repairs and maintenance expense. Improved budget control processes also resulted in a reduction of unnecessary expenditure.

12. Bulk purchases - The main reason for the variance is due to changes in the tariffs during peak and expensive time slots to incentivise the energy users to reduce consumption during these times, resulting in a lower demand. The reduced demand results in a reduction in power supply needed, which in turn leads to reduced bulk purchases. The effect of this lowering in demand was higher than initially expected and budgeted for.

	2014 R	2013 R

52. Budget differences (continued)

13. General Expenses - The main reason for the variance is due to underspending which originated from:
- Savings on meter reading expense due to the increase in prepaid meters installations & -conversions during the year. -
Savings on consultant fees due to use of internal resources.
- Savings on contractor fees due to use of internal resources.
- Savings on the ICT Strategy system which was budgeted for but which was not implemented during the year.
- Savings on the Vehicle tracking system which was budgeted for but which was not implemented during the year.
- Savings on the Access Control system which was budgeted for but which was not acquired and installed during the year.
- Savings on insurance expense due to change of service provider with renegotiated insurance terms and costs.
- Savings on security service expenses due to the appointment of security personnel as part of the municipal entity staff.
- Savings on software license expense due to the acquisition of computer hardware packages which included software licenses.

14. Gain/loss on disposal of assets and liabilities - The main reason for the variance is due to the fact that the planned auction of old assets did not take place during the year and that some losses due to write off of assets, which was not budgeted for, were realised.

Explanations for material variances relating to the Statement of Financial Position is set out as follows:

Current assets

The municipal entity does not budget for current portions of long term assets. The current portion as reflected on the face of the statement of financial position is budgeted for as port of the non-current assets.

1. Inventories - The main reason for the variance is due to the reduction in the inventory balance to manage expenditure levels through managements efforts to align inventory requisitions to the operational requirements with a focus on redundant items being phased out gradually.

2. Consumer debtors - The main reason for the variance is due to an increase in the actual balance due to an increase in new customers accounts. The increase in new connections is attributed to an increase in economic activity, like new development initiatives, within the municipal entity jurisdiction as well as an increase in consumption to address the increased economic activity.

3. Cash and cash equivalents - The main reason for the variance is due to an increase in investments to improve cash-flow. The increased investments resulted in more interest being earned and re-capitalised into the investment than originally anticipated.

Non-Current Assets

1. Property, plant and equipment & Intangible assets - The main reason for the variance is due to a prior period correction of the intangible assets relating to the capitalization of servitudes which was treated incorrectly and capital projects which were not commissioned at year end.

2. Other financial assets - The variance is mainly due to over budgeting for debtors with arrangements.

Current Liabilities

The municipal entity does not budget for current portions of long term liabilities. The current portion as reflected on the face of the statement of financial position is budgeted for as port of the non-current liability.

1. Payables from exchange transactions - The main reason for the variance is due to: -
An improvement in the timely payment of creditors.
- An improvement in the recognition of public connection income resulting in a lower public contribution liability.
- An improvement in the allocation of deposits received from customers and vendors resulting in a lower unallocated deposit balance which in turn leads to a lower balance for debtors payments in advance.

2. Consumer deposits - The variance is mainly due to the fact that the anticipated conversion of current customers to prepaid metering systems did not materialize as originally expected and budgeted for.

	2014 R	2013 R

52. Budget differences (continued)

3. Unspent conditional grants and receipts - The variance is mainly due to underspending on conditional grant funded projects.

Non-Current Liabilities

1. Other non-current financial liabilities - The main reason for the variance was due to under budgeting of the MMM capital advance. The variance did not have an impact on cashflow due to being an intercompany transaction between the municipal entity and its' parent municipality.

2. Finance lease obligation - The main reason for the variance is due to the fact that the municipal entity entered into more new finance leases than was originally anticipated and budgeted for. These new finance leases relate mainly to copier & fax machines that was needed for day to day operations.

3. Operating lease liability - The main reason for the variance was due to the fact that there was budgeted for the operating lease as a operating expense and no budget was done for the straight lining effect of the operating lease on the statement of financial position.

4. Long service awards - The main reason for the variance is due to the anticipated actual payments that had to be made during the financial year and the actuarial values as per the actuary report at year end.

53. Inter-departmental consumption

Inter-departmental consumption	1 027 519	934 266

The inter-departmental consumption is based on units consumed as per the meter records. The amount is disclosed as an expense under general expenditure in the Statement of Financial Performance.

54. Non-compliance with Municipal Finance Management Act and other Legislation

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

- **Supply chain management regulations 12(1)(c), 17(1)(a) - (c)**
  Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his/her delegate.
- **Municipal Finance Management Act section 116(2)(b)**
  The performance of all contractors were not monitored on a monthly basis.
- **Supply chain management regulations 36(1)**
  - Goods and services with a transaction value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his/her delegate in accordance with the supply chain management policy.
  - Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process. Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.
- **Municipal Finance Management Act section 2(1)(f)**
  Contracts were awarded without justification to bidders who did not score the highest points.
- **Municipal Finance Management Act section 116(3)(a)**
  Contracts were amended or extended without tabling the reasons to the council and/or notifying the public.

Notes to the Financial Statements

	2014 R	2013 R

54. Non-compliance with Municipal Finance Management Act and other Legislation (continued)

- **Non-compliance with MFMA sec65(2)(e)**
  Money owing by the entity to the value R 135 485 330 was not paid within 30 days of receiving the relevant invoice or statement.

Non-compliance with the Companies Act

In terms of section 9 of the Companies Act 71 of 2008 the municipal entity must comply with all relevant provisions of the Act except where the entity has obtained exemptions. This was not complied with in the following aspects:

- The entity did not purchase indemnity insurance for its directors in the period under review as required by section 78 of the Act.
- The entity did not have the whistle-blowing mechanism during the period under review as required by Section 159.
- The entity did not finalise the code of conduct of ethics for the Board of Directors that meets the provisions of Section 214 of the Act.

Non-compliance with King III Code of Governance for South Africa, 2009

The King III Report on Corporate Governance (2009) provides governance principles and best implementation practice guides. The entity did not fully comply with the provisions of the code in the following aspects:

- The Shareholder Compact was not signed by the speaker/representative of the Council.
- The entity did not develop an Environmental Impact Assessment Plan and did not perform any environmental impact assessments.
- The evaluation of the board, its committees and the individual directors was not conducted as required by Par 2.22 of the code.
- The Employment Equity Act no. 55 of 1998 Section 3(2) and 20(1)
  The entity did not develop and have an approved employment equity plan.

Appendix A
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
										Yes/No
National Electrification Programme Grant	National Government	-	14 912 281	-	21 929 825	1 781 885	10 952 688	9 165 096	14 957 646	Yes
Urban Settlement Development Grant	National Government	-	26 315 789	-	4 999 266	143 828	3 939 060	948 064	26 284 104	Yes
Electricity Demand Side Management Grant	National Government	-	-	-	3 992 151	-	-	-	-	Yes
		-	41 228 070	-	30 921 242	1 925 713	14 891 748	10 113 160	41 241 750	