

Financial Reports for the Year End 30 June 2010

4.1

Comparative Analysis on the Audited Annual Financial Statements for year end 30 June 2011.

PURPOSE

This report serves to provide the Committee with a financial overview and comparative analysis of the audited annual financial statements for the year ending 30 June 2011.

BACKGROUND

Legislative Requirement:

Sections 122 and 126 of the Local Government: Municipal Finance Management Act, 56 of 2003 state:-

Preparation of financial statements

122.

- (1) *Every municipality and every municipal entity must for each financial year prepare annual financial statements which -*
 - (a) *fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and*
 - (b) *disclose the information required in terms of sections 123, 124 and 125.*
- (2) *A municipality which has sole control of a municipal entity, or which has effective control within the meaning of the Municipal Systems Act of a municipal entity which is a private company, must in addition to complying with subsection (1), prepare consolidated annual financial statements incorporating the annual financial statements of the municipality and of such entity. Such consolidated annual financial statements must comply with any requirements as may be prescribed.*
- (3) *Both annual financial statements and consolidated annual financial statements must be prepared in accordance with generally recognised accounting practice prescribed in terms of section 91(1)(b) of the Public Finance Management Act.*

Submission and auditing of annual financial statements

126.

- (1) *The accounting officer of a municipality-*
 - (a) *must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing; and*
 - (b) *must in addition, in the case of a municipality referred to in section 122(2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.*

- (2) *The accounting officer of a municipal entity must prepare the annual financial statements of the entity and, within two months after the end of the financial year to which those statements relate, submit the statements to -*
 - (a) *the parent municipality of the entity; and*
 - (b) *the Auditor-General, for auditing.*
- (3) *The Auditor-General must -*
 - (a) *audit those financial statements; and*
 - (b) *submit an audit report on those statements to the accounting officer of the municipality or entity within three months of receipt of the statements.*
- (4) *If the Auditor-General is unable to complete an audit within three months of receiving the financial statements from an accounting officer, the Auditor-General must promptly submit a report outlining the reasons for the delay to the relevant municipality or municipal entity and to the relevant provincial legislature and Parliament.*
- (5) *Once the Auditor-General has submitted an audit report to the accounting officer, no person other than the Auditor-General may alter the audit report or the financial statements to which the audit report relates.*

In accompaniment to the annual financial statements, the Chief Financial Officer must further provide a comparative analysis report citing an overview of the financial performance of the municipality during the financial year as set out in MFMA Circular No 11 – Annual Report Guidelines, 14 January 2005.

DISCUSSION

4.1.1. Internal Quality Control Processes:

The annual financial statements attached hereto as ANNEXURE "A" have been subjected to rigorous quality assessment as part of our OPCA internal control processes and has been duly reviewed externally by a professional service provider, and we have been assured of both the quality of the face of the financial statements as well as the accompanying notes. The Auditor General has also completed their audit for the period under review and the report of the Auditor General on the financial statements and other legal and regulatory requirements for the year ended 30 June 2011 is discussed in a separate report.

4.1.2. Objectives:

The basic financial reporting objectives as prescribed by the Accounting Standards Board are:

- Financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability by:-
 - Providing information to determine whether current year revenues were sufficient to meet the cost of providing current year services rendered.
 - Demonstrating whether resources were obtained and used in accordance with Council's legally adopted budget, and demonstrating compliance with other finance-related legal or contractual requirements.

- Providing information to assist users in assessing the service efforts, costs, and accomplishments of the entity.
- Financial reporting should assist users in evaluating the operating results of Council for the year by:-
 - Providing information about sources and uses of financial resources.
 - Providing information about how it finances its activities and meet its cash flow requirements.
 - Providing information necessary to determine whether its financial position improved or deteriorated as a result of the year's operations.
- Financial reporting should assist users in assessing the level of services that can be provided by Council and its ability to meet its obligations as they become due by:-
 - Providing information about its financial position and condition.
 - Providing information about its physical and other non-financial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources.
 - Disclosing legal or contractual restrictions on resources and the risk of potential loss of resources.

This report analyses the financial position and financial performance trends over the past four years of Sedibeng District Municipality as per the AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2011, annexed hereto as ANNEXURE "A".

Key words: Accountability, Evaluation, Assessment, Statement of Financial Position, Statement of Financial Performance, Statement of Change in Net Assets, Statement of Cash Flow, Assets, Liabilities, Net Assets, Financial Ratios

4.1.3. Highlights of the Period Under Review:

a) Reinventing Our Economy

- Gauteng Economic Development Agency (GEDA) and the Sedibeng District Municipality hosted an Inaugural Sedibeng Investor Conference & Exhibition, themed: "Regeneration, Recovery, Investing in Sedibeng's Economic Future". The main aim of the conference was to sell packaged investor ready projects in the district to potential investors, business establishments, individual business people and financiers. About 15 investment opportunities through specific projects were identified and packaged to potential investors worth a combined estimated value of R1.8 billion.

b) Renewing Our Communities

- On the 22 July 2010 the Sedibeng District kicked off its Women's Month. The year 2010 marked Council's 8th consecutive year commemorating, celebrating and championing the cause of women. This year's month long programme was held under theme "Women, engine for empowerment and equality / Basadi, enjene ya tswelopele le tekatekano."
- As part of Council's public safety campaign, Council increased CCTV coverage within the region, including making accessible available additional services by the system for ICT Connectivity which is being utilised for community upliftment.
- On the 26th August 2010 the 3rd Victim Empowerment Centre was opened at God's Acre in Heidelberg. The first Victim Empowerment Centre was opened in Itsose Primary School, Sharpeville in 2009 and the second one at Barrage in August 2010.

The victim centres aim to bridge the gap between the police and the community. The various centres have been set up in partnership with the community policing forum to cater for victims of crime, especially women and children affected by domestic and child abuse, child neglect and other crimes against women and children. The centres recruit volunteers from the community and provide them with a two day training programme.

c) Reviving a Sustainable Environment

- On the 16 April 2011 the Sedibeng District Municipality's Department of Transport, Infrastructure & Environment launched the Solar Water Heating (SWH) programme. The launch took place in Rus-ter-Vaal near Vereeniging and Kanana in Sebokeng, where some 1500 solar geyser units have already been installed.

The installation of the solar water heaters in Sedibeng is a project that aims to provide benefits beyond saving electricity. Projects such as these ensure that increased environmental awareness and a legacy of sustainability and renewable energy and energy efficiency are entrenched in communities throughout Sedibeng and the country as a whole.

- Council successfully developed and adopted Environmental Health by-laws which specifically targeted the promotion of a clean environment for people to live, work and recreate in through effective environmental health management.

d) Reintegrating Our Region

- The Sharpeville and waterfront precinct projects are developmental projects in the Sedibeng region. These projects are an intervention by the Sedibeng District Municipality as part of the fulfilment of Sedibeng Growth and Development Strategy which was adopted in 2007. These projects are part of the 2010 Flagship Project in order to create the 2010 legacy in relation to the Neighbourhood Development Programme Grant funded by National Treasury.

e) Releasing Human Potential

- Council's Knowledge Management Strategy and the Blueprint Framework for Knowledge Management Implementation and Roll-out Plan for the Knowledge Management Strategy was developed to facilitate and promote knowledge sharing for better service delivery to communities. It was also an attempt to have buy-in of the political leadership of Sedibeng District Municipality to understand the importance of knowledge sharing, knowledge exchange and knowledge tourism, as the new economy that is so certain, an economy that never goes into recession, but grows as its used

The Knowledge Management Strategy is believed to be the tool to transform the Sedibeng District Municipality into an African icon for Learning Communities of Practice. This is envisaged to facilitate harnessing tacit and elicited knowledge from all employees, thus encouraging them to become knowledge workers as they appreciate and get to be part of communities for knowledge sharing, as they develop a culture and passion for what they do because they want to.

- At least 30 people with disabilities in the Sedibeng District Municipality were empowered with life skills, business skills and training in organizational development as part of a donation by the ABSA Foundation to the Medunsa Organisation for Disabled Entrepreneurs (MODE).

This initiative came as a result of the engagement between Sedibeng District Municipality, its local Municipalities and ABSA Corporate Social Investment group.

MODE's approach focuses on skills development and business education. The initiative is believed to help create jobs among a sector of society which unemployment is extremely high.

f) Good and Financial Sustainable Governance

- On the 12 April 2011 Sedibeng District Municipality received a Municipal recognition award on its unqualified audit opinion for the 2009/10 financial period. The award was handed over by the MEC for Finance Mr. Mandla Mkomfe and supported by the MEC for Local Government & Housing Mr. Humphrey Mmemezi at the Extended Municipal Finance Indaba to the Municipal Manager and Chief Financial Officer. This is the fifth consecutive unqualified audit opinion Sedibeng District Municipality received over the last five financial periods.
- On Wednesday the 20 April Executive Mayor, Cllr. Mahole Simon Mofokeng, presented the Integrated Development Plan and the Budget for the financial year ahead. This report was a historic one, in that it was also a platform to report on the municipality's five year tenure since 2006.

The State of the District Address 2011 was viewed by the people of Sedibeng via satellite broadcast throughout the District. Four satellite viewing were in Evaton, Sicelo in Midvaal, Bophelong and Ratanda while the main event was held in Vereeniging.

The State of the District Address should further be seen in the context of a continuation of the Sedibeng District Municipality's commitment to account to its communities on its achievements, with specific focus on service delivery. Challenges experienced during the period under review were also highlighted and the report will be used as a vehicle to chart the road map for the upcoming financial year.

g) Vibrant Democracy

- The year 2010 marked the 26th anniversary of the Vaal Uprising, which occurred on the 3rd September 1984. In commemoration of this heroic day, the Sedibeng District Municipality together with its communities lead a commemoration to honour the martyrs of our struggle towards freedom and democracy.
- In pursuit of Council's Growth & Development Strategy as well as their commitment to renewing their communities, and in commemoration of the 50th Anniversary of the Sharpeville Massacre, now the Human Rights Day on 21 March 2010, the Executive Mayor announced his 100 Days Service Delivery Projects of various developmental projects throughout the Sedibeng District Municipality.

These projects were specifically selected to commence within the 100 days from 21 March 2010. Critical elements were service delivery projects and programmes aimed at the development of the Sedibeng area and involvement of local residents in the implementation of these projects

4.1.4. Statement of Financial Position Definitions

The financial position of a municipality is directly measured by the number of resources controlled by the municipality from which future economic benefits are expected (assets), obligations resulting in a outflow of municipal resources (liabilities) and the residual interest in the assets of Council after deducting all the liabilities of the municipality, also known as the community's wealth or Council's net worth (net assets).

What Council Owns (Assets) – What Council Owes (Liabilities) = Council's Net Assets

Item Description	Item Definition
Current Assets	These are the most liquid assets
Property, plant & equipment	Fixed assets of Council
Current Liabilities	Obligations Council must pay within the next year - Accrued expenses are unpaid expenses - Current portion of long-term debt are the monies owed in the next year on long-term debt
Non-current Liabilities	Monies borrowed to finance long-term assets

The net assets of Council are primarily composed of the accumulated surplus and reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific purposes. These reserves are not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

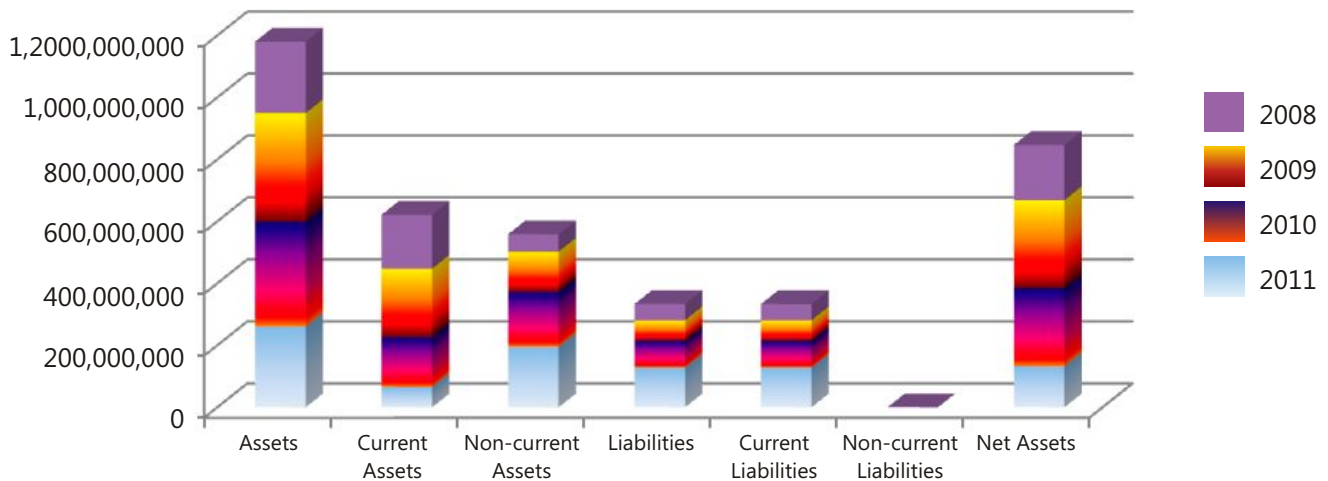
The accumulated surplus, on the other hand, is built up over the years from savings made every year from the service delivery operations of Council. The accumulated surplus is then utilised for funding those projects that Council were not able to procure external (grant) funding for. These are referred to as internally funded projects. It must be noted that the accumulated surplus is made up of accounting book-entries and does not necessarily imply that these sums are cash-backed by physical funds in investments. The monies held in investments for Council are mostly made up of grant monies received that are not yet utilised.

4.1.5. Analysis of the Statement of Financial Position:

The statement of financial position states Council's financial position at the end of an operating period of a 12-month fiscal year (July 2010 to June 2011). It represents the assets, liabilities, net assets and their relationship to one another. This report performs a horizontal analysis of Council's balance sheet items over the past four fiscal years.

	2011	2010	2009	2008
ASSETS	260 599 690	337 645 794	351 212 640	230 981 262
Current Assets	65 688 275	160 606 758	221 201 520	174 270 610
Non-Current Assets	194 911 415	177 039 036	130 011 120	56 710 652
LIABILITIES	127 964 542	86 439 430	66 390 200	52 738 327
Current Liabilities	127 964 542	86 439 430	66 390 200	52 678 573
Non-current Liabilities				59 754
NET ASSETS	132 635 149	251 206 364	284 822 440	178 242 935

Changes in Financial Position



Item Description	Discussion / Trend Analysis
Assets	Council assets have shown a diminishing increase over the last four financial periods. The last two financial periods have shown a decline in total assets resulting in an average decrease of 50% in current assets.
Liabilities	Council liabilities have shown an average increase 15% over the last four financial periods. This is primarily due to Council's increase in operations as there have been no long-term liabilities for the past three financial years.
Net Assets	Council net assets have shown a steady decline of an average of 5% over the last four financial periods. This is mostly due to the decrease in Council assets due to the transfer of capital project construction assets of over R85 million to the local municipalities as this transfer impacts directly on the calculation of the operating deficit which in turn adversely affects the accumulated surplus.

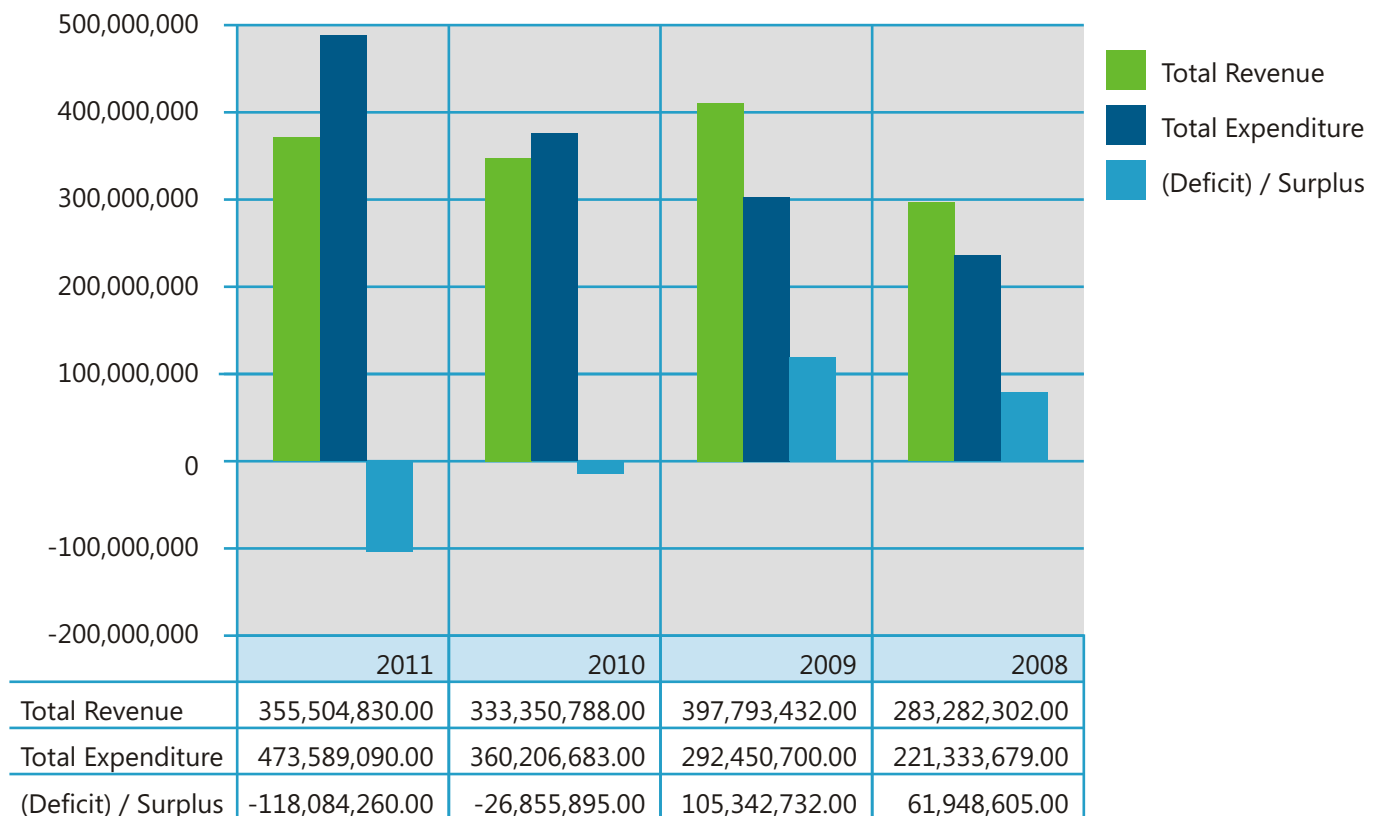
4.1.6. Description of Statement of Financial Performance:

The statement of financial performance shows the results of operations for the past year. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

4.1.7. Analysis of Statement of Financial Performance:

Financial Performance



Council has moved from declaring an operating surplus to a deficit for the last two financial years. This deficit is directly in relation to the transfer of completed capital projects to the local municipalities paid as grants & subsidies to the value of R118,084,260. A detailed discussion on various operating line items is provided below.

4.1.8. Operating Revenue:

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. Revenue categories include:

Category Description	Definition
Sale of goods	Income derived from sale of fuel at the airport
Rental of facilities and equipment	Rental of facilities and equipment such as the town hall and theatres
Interest received	Interest received from trading activities as well as on investments
Income from agency services	Income from agency services performed in the provision of IT services to local municipalities
Licenses and permits	Income received from performing the motor vehicle licensing and permits function on behalf of provincial administration
Government grants & subsidies	Government grants & subsidies received as per DoRA allocations
Other income	Other Income consists of income items such as ambulance fees, airfield fees, profit on sale of assets, skills levy income, tender income as well as recoveries from telephone costs and commission on salaries

Revenue	2011 Average		2010 Average		2009 Average		2008 Average	
Sale of goods	321,965.00	5.33%	305,674.00	-17.71%	371,463.00		-	-4.13%
Rental of facilities and equipment	7,695,109.00	-8.70%	8,428,823.00	5.01%	8,026,490.00	6.22%	7,556,372.00	0.84%
Interest received (trading)	-		141.00	-98.93%	13,238.00	-90.60%	140,825.00	-63.18%
Income from agency services	6,496,536.00	14.69%	5,664,190.00	39.61%	4,057,196.00	11.07%	3,652,677.00	21.79%
Licenses and permits	43,254,275.00	16.78%	37,037,748.00	-3.74%	38,477,430.00	5.12%	36,602,220.00	6.06%
Government grants & subsidies	290,229,183.00	14.96%	252,453,877.00	10.33%	228,808,544.00	4.34%	219,292,588.00	9.88%
Other income	1,163,667.00	-37.61%	1,865,007.00	-10.81%	2,091,036.00	67.41%	1,249,024.00	6.33%
Interest received – investment	6,237,003.00	-54.85%	13,813,333.00	-28.95%	19,441,804.00	31.46%	14,788,596.00	-17.44%
Total Revenue	355,397,738.00	11.21%	319,568,793.00	6.07%	301,287,201.00	6.36%	283,282,302.00	7.88%

The marginal average increase in income from agency services, licenses & permits and grants & subsidies does not compensate for the drastic declines in the other sources of revenue, which is a contributory factor to the closing on a deficit for the last two financial years. The revenue generated from interest on investments averages at a decline of 17.44%, with 2011 reporting a decline of 54.85%. This is directly attributed to Council's reducing cash held in short-term investments due to the continual compensation of a shortfall in the EMS subsidy allocation from Provincial Department of Health.

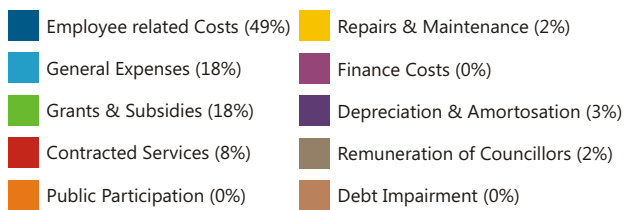
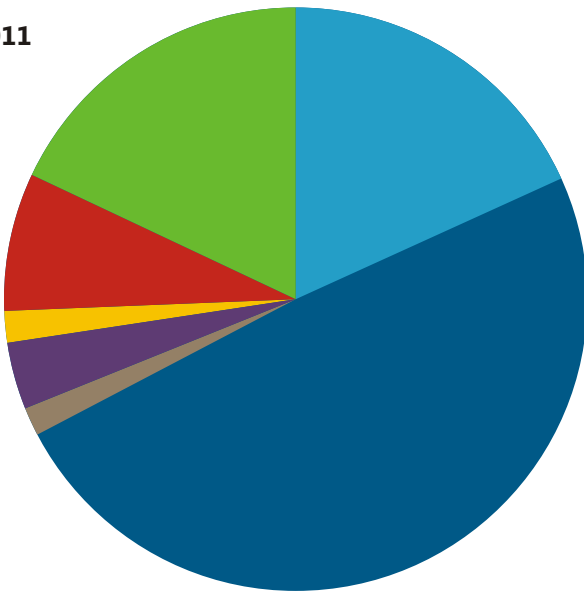
4.1.9. Operating Expenses:

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrance's of liabilities that result in decreases in net assets. Operating expenses were divided into ten categories:

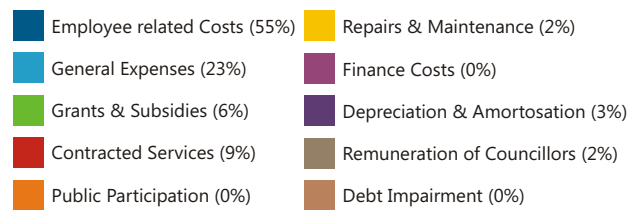
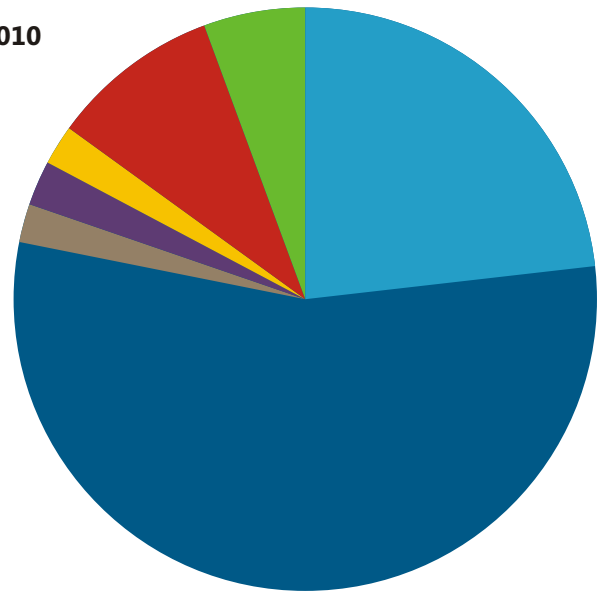
Category Description	Definition
General Expenses	Those expenses directly relating to revenue production and service delivery
Employee Related Costs	Labour related costs
Remuneration of Councillors	Costs related to Public Office Bearers allowances as per the Upper Limits gazetted
Debt Impairment	The process of reducing a current asset by the amount by which the carrying amount of the current asset (debtor) exceeds its recoverable amount
Depreciation & Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life with depreciable amount being the cost of an asset, or other amount substituted for cost, less its residual value
Finance Costs	Expenses that reflect the price of purchasing goods, services and financial instruments
Collection Costs	Costs related to the application of Council's credit control & debt collection policy
Repairs & Maintenance	Costs related to the day-to-day servicing of Council's property, plant & equipment
Contracted Services	Expenses related to the engagement of external service providers for the performance of a knowledge-based expertise specialty function
Grants & Subsidies Paid	Government grants & subsidies paid as per DoRA allocations and MTREF

Expenditure	2011 Average		2010 Average		2009 Average		2008 Average	
General Expenses	86,542,894	3.96%	83,247,398	52.53%	54,579,209	25.95%	43,335,552	27.48%
Employee related costs	232,053,627	16.99%	198,345,065	24.97%	158,715,935	27.89%	124,102,310	23.28%
Remuneration of councillors	8,368,655	8.55%	7,709,580	968.46%	721,562	-89.86%	7,114,026	295.72%
Debt impairment	37,761		-		3,663,701	939.16%	352,563	313.05%
Depreciation and amortisation	17,198,678	96.57%	8,749,480	23.11%	7,106,863	29.61%	5,483,078	49.77%
Finance costs	-		317	-98.93%	29,623	-56.65%	68,335	-51.86%
Public participation	140,129	-35.99%	218,918		-	-	-	-12.00%
Repairs and maintenance	7,877,686	0.17%	7,864,470	13.40%	6,935,182	164.34%	2,623,603	59.30%
Contracted services	36,659,023	8.08%	33,919,718	38.56%	24,479,909	27.15%	19,253,052	24.60%
Grants and subsidies paid	84,710,637	320.36%	20,151,737	-32.21%	29,724,916	56.44%	19,001,178	114.87%
Total Expenditure	473,589,090	31.48%	360,206,683	25.97%	285,956,900	29.20%	221,333,697	28.88%

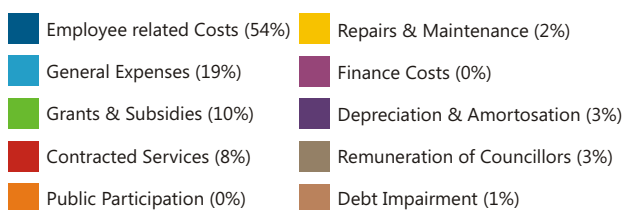
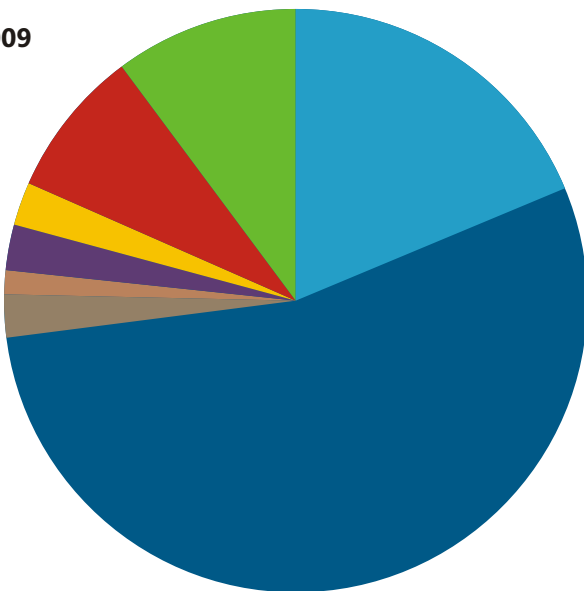
2011



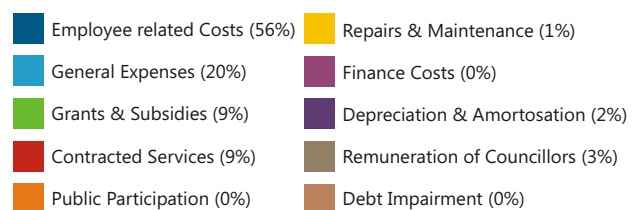
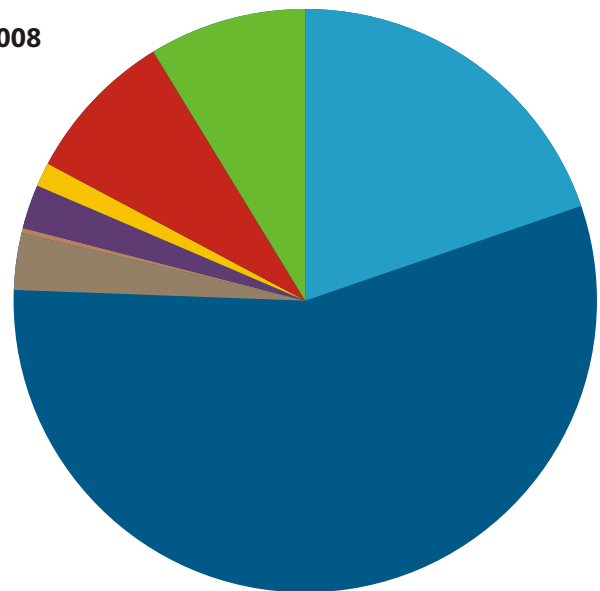
2010



2009



2008



4.1.9.1. General Expenses

Council has made a concerted effort to reduce operating expenses by implementing cost cutting and containment practices. Operational grant expenses has however increase with R15 Million due to the completion of the Urban Environmental Program. This has resulted in a limited increase of 3.96% in general expenses from the previous reporting year (2010) to the one under review (2011).

4.1.9.2. Employee Related Costs

Although the average increase in salaries and contributions to benefits has been 23.28% for the past four financial years, the increase for 2011 was at 16.99%, demonstrating that cost containment exercises have been proving successful. This is further illustrated by this category forming only 49% of total expenses as opposed to 55%, 54% and 56% for the years 2010, 2009 and 2008 respectively.

4.1.9.3. Debt Impairment

Debt impairment is assessed and recommended on an ad-hoc basis as each case is reviewed and evaluated individually according to the debtor's specific circumstances as per Council's credit control and debt collection policy.

The motivations for the recommendation are tabled accordingly to Council for their approval prior to any write-off's.

4.1.9.4. Depreciation and Amortisation

Depreciation costs have increased by an average of 50% for the last four years due to the average increase of 14% (refer to Statement of Financial Position) in Council non-current asset acquisitions.

4.1.9.5. Finance Costs

No finance costs for the reporting period due to the discontinuation of Council long-term liabilities.

4.1.9.6. Collection Costs

No collection costs incurred due to the repeal of RSC levies and write-off of outstanding balances.

4.1.9.7. Repairs & Maintenance

Although repairs & maintenance costs have increased by an average of 59.3% over the last four financial years, the increase in 2011 was well below the average at an indicator of 0,17%. This further indicates that Council has been unable to implement routine repairs & maintenance on Council-owned assets in recent financial periods due to the financial constraints imposed by the global financial crisis of 2009. However, this matter has accordingly been addressed with remedial steps being included in the 2011/2012 SDBIP.

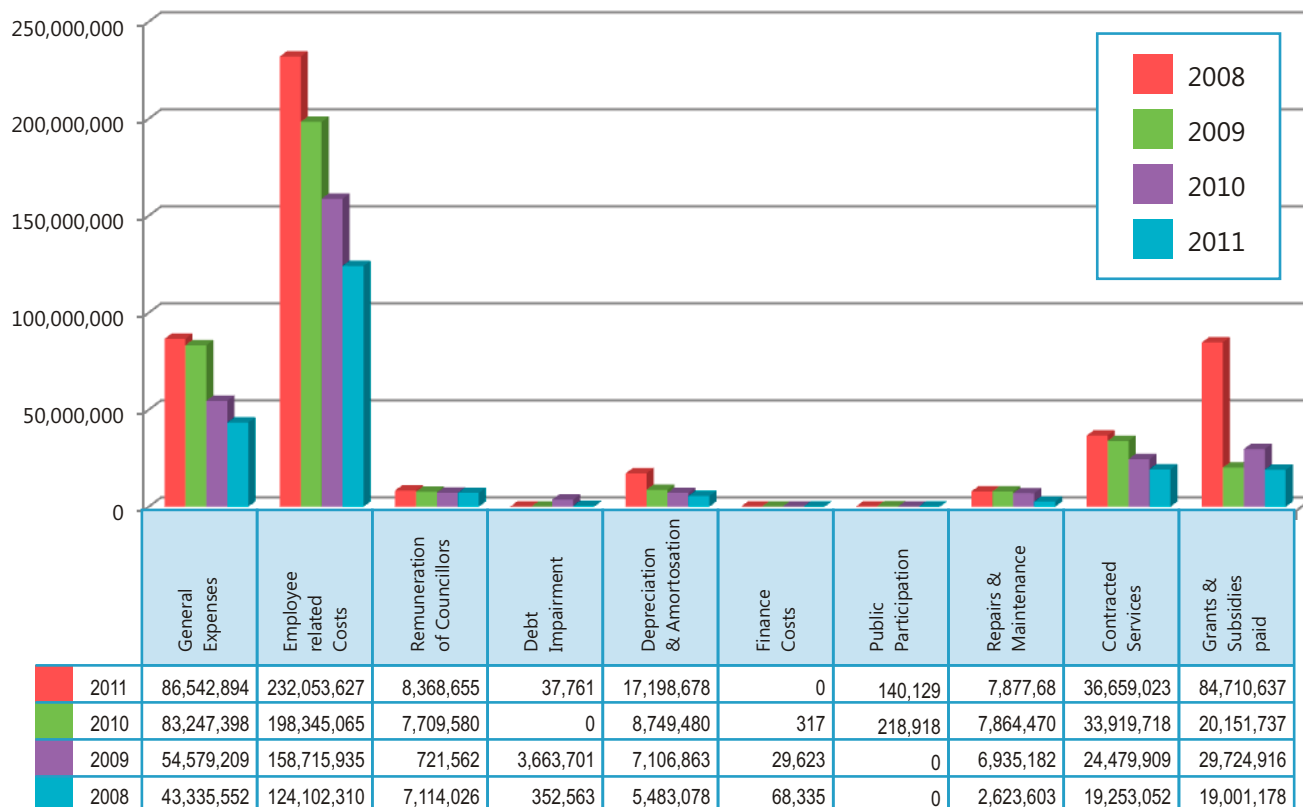
4.1.9.8. Contracted Services

There was a 8.08% increase in 2011 for contracted services and an average increase of 24.60% over the last four financial years. All contracts entered into by Council are reviewed thoroughly by Corporate Services: Legal and approved by the Municipal Manager.

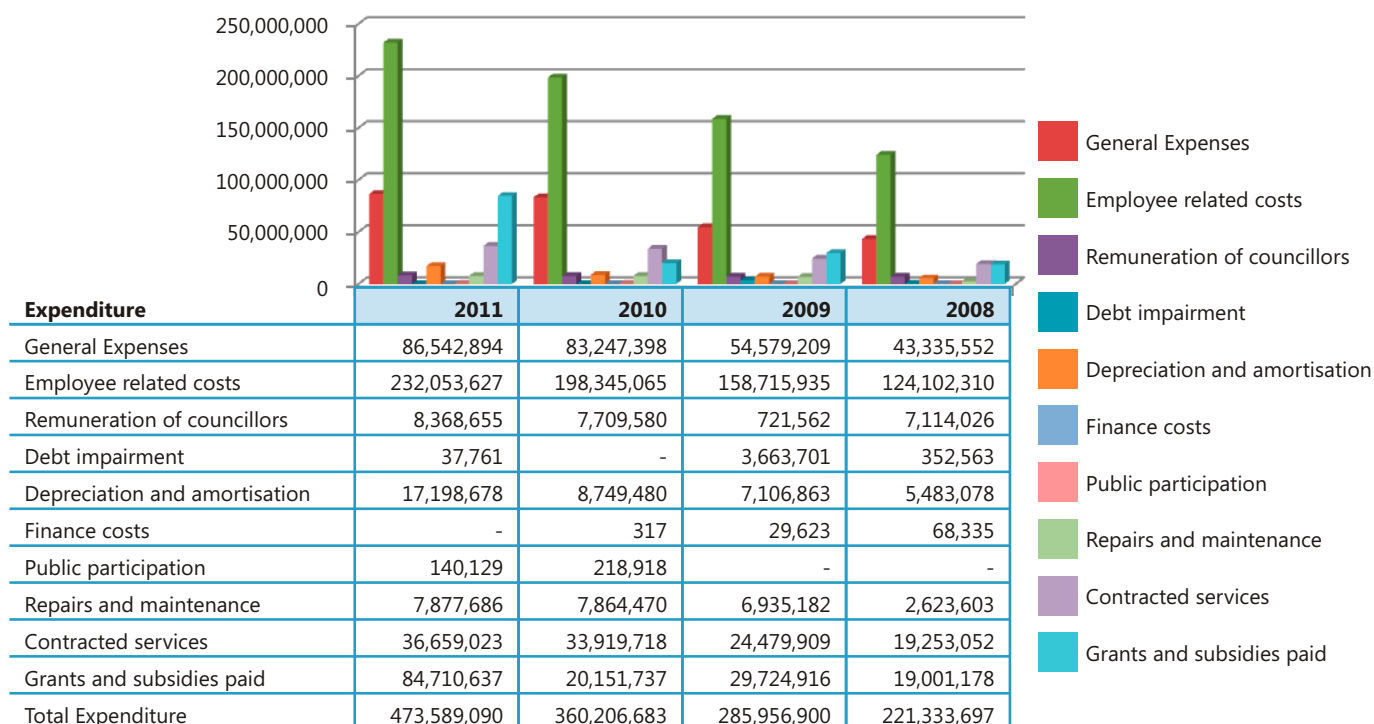
4.1.9.9. Grants & Subsidies Paid

Grants & subsidies consisted a fifth of total expenditure and was the second biggest category after employee related costs. This is a sharp increase of 320% against 2010 and is due to the several completed construction projects that were handed over to local municipalities.

Expenditure by Category



Expenditure by Year



4.1.10. Statement of Changes in Net Assets:

The purpose of this statement is to disclose transactions impacting on the components of community wealth (net assets) included in the statement of financial position. These transactions may include adjustments and movements to and from reserves. These reserves comprise of the Government Grant reserve, the Re-valuation Reserve and the Accumulated Surplus. This statement reports on changes in Council's net assets between two reporting dates by reflecting the increase or decrease in its net assets during the period.

The overall change in net assets represents the total net surplus/deficit for the period, other revenues and expenses recognised directly as changes in net assets.

The posting of an operational deficit of R82,4million to the accumulated surplus hence has partially depleted the distributable reserve and impacts negatively on Council's net worth (net assets).

Change in Accumulated Surplus	
Balance brought forward 01 July 2010	R 247,411,977
Less: Total movements for 2011 (including transfers to local municipalities)	(R 118,084,260)
Balance as at 30 June 2011	R 129,327,717
Add: grants & subsidies paid to local municipalities	R 84,710,637
Balance as at 30 June 2011 excluding grants & subsidies paid to local municipalities	R214,038,354

The summary above indicates that had Council paid no grants & subsidies over to the local municipalities, the impact on the accumulated surplus would have been a closing balance of R214million as opposed to the reported closing balance of R129,3million.

4.1.11. Cash Flow Statement:

Information about cash flows may be useful to users of SDM's financial statements in assessing Council's cash flows, assessing Council's compliance with legislation and regulations (including authorised budgets) and for making decisions about whether to provide resources to, or enter into transactions with Council. These users and stakeholders are generally interested in how Council generates and uses cash and cash equivalents. Municipalities need cash for operations related to service delivery. Municipalities use cash to pay for the goods and services they consume, to meet ongoing debt servicing costs, and, in some cases, to reduce levels of debt. According to the standards of GRAP all entities are required to present a cash flow statement.

Benefits of cash flow information

- Information about the cash flows of an entity is useful in assisting users to predict the future cash requirements of the entity, its ability to generate cash flows in the future and fund changes in the scope and nature of its activities. A cash flow statement also provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the reporting period.
- A cash flow statement, when used in conjunction with other financial statements, provides information that enables users to evaluate the changes in net assets (net worth) of an entity, its financial structure (including its liquidity and solvency) and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities. It also enhances the comparability of the reporting of operating performance by different entities, because it eliminates the effects of using different accounting treatments for the same transactions, other events and conditions.
- Historical cash flow information is often used as an indicator of the amount, timing and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows.

4.1.12. Financial Ratio Analysis:

The application of financial ratio analysis enables and informs our public office bearers and stakeholders decision making with regards to:

- Ability to meet long-term commitments;
- Ability to meet short-term commitments from liquid resources;
- Determine whether investments are yielding acceptable returns;
- Reduce risks arising from below average performance; and
- Make recommendations to address challenges.

Advantages	Disadvantages
Communicate aspects of an entity's overall economic situation more broadly and succinctly than financial statement data alone	Distort comparisons by over-reliance on book values rather than market values
Facilitate understanding how certain variables may influence each other	Involve comparative norms which are statistically unreliable due to bias and/or small sample size
Help determine a variety of financial aspects	Be difficult to obtain for use in public sector auditing
	Lead to misleading conclusions if viewed out of context
	Ignore unique factors which make municipalities fundamentally incomparable

It must be noted by the Committee that ratio analysis is not as widespread in government as in private sector as generally no applicable ratios have been developed for the purpose of use at (local) government level as each municipality differs in political and economic climates, demographics, missions, values and goals based on their unique individual nature and community needs.

The ratios applied in this analysis were selected based on their usefulness in being able to indicate to Council factors & conditions which may lead to poor financial circumstances.

4.1.12.1. Current Position

These ratios focus on working capital and serve as supplements to the statements of financial performance and cash flow.

Ratio	Equation Calculation	2011	2010	2009	2008	Indication
Ratios measuring Council's ability to pay short-term obligations						
Acid Test	$= \frac{\text{Cash} + \frac{A}{R} + \text{Short Term Investments}}{\text{Current Liabilities}}$	0.46	1.53	2.57	2.82	A decrease of 102% against the previous year demonstrates a decline in Council's ability to meet its current financial obligations.
Current Ratio	$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.46	1.95	3.07	3.31	A decrease of 151% against the previous year demonstrates a decline in Council's ability to meet its current financial obligations.
Ratios measuring Council's activity						
Average collection period for Account Receivable	$= \frac{\text{Average Accounts Receivable}}{\text{Net Credit} \frac{\text{Sales}}{365} \text{ days}}$	63.46	4.68	12.60	240.13	A 27% increase in the no. of average days taken to recover A/R shows a decline in Council's position to recover debt quickly.
Inventory Turnover	$= \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$	44.78	81.57	233.37	0	A decline of 88% in turnover demonstrates that Council did not optimize on sales for the reporting year.

4.1.12.2. Equity Position

Ratios that measure long-term solvency of Council and its capacity to generate and obtain investment resources.

Ratio	Equation Calculation	2011	2010	2009	2008	Indication
Creditors' Equity to Total Assets	$= \frac{\text{Total Liabilities}}{\text{Total Assets}}$	0.30	0.23	0.19	0.23	An increase of 23% indicates that Council's liabilities are increasing against Council's assets due to the diminishing base of Council's total assets.
Debt to Net Worth Ratio	$= \frac{\text{Total Liabilities}}{\text{Net Assets}}$	0.43	0.29	0.23	0.32	An increase of 31% indicates that Council's liabilities are increasing against Council's net worth (net assets) due to the diminishing base of Council's total assets.

4.1.12.3. Economic Vitality and Financial Viability

Ratio	2011	2010	2009	2008	Indication
= $\frac{\text{Total Operating Revenue} - \text{Total Operating Grants Received}}{\text{Total Expenditure}}$	0.14	0.19	0.25	0.29	This ratio is an indicator that Council's dependency on Grants & Subsidies has increased by 3% from the previous financial year as only a fifth of total expenditure is funded by internally generated revenue

4.1.12.4. Soundness of Financial Management Practices

Ratio	2011	2010	2009	2008	Indication
= $\frac{\text{Short-term Investment Income}}{\text{Total Internal Revenue}}$	0.07	0.19	0.27	0.23	Due to Council's reducing short-term investment balances, Council's ability to generate income from interest received on investment has decreased by 187% as opposed to 2010.

4.1.13. Financial Implications

- 1.13.1. A deficit generated of R118,084,260 for the year ending 30 June 2011 due to the transfer of R84,710,637 to local municipalities as grants & subsidies paid; implying
- 1.13.2. A diminished net worth balance (accumulated surplus) of R 132,635,149 as at 30 June 2011.

4.1.14. Legal Implications

The compilation of annual financial statements is directly in compliance with requirements of Chapter 12, Municipal Finance Management Act, No 56 of 2003 and Chapter 3, The Public Audit Act, No 25 of 2004, together with the King III Code and Report on Governance, dated 01 September 2009.

4.1.15 Alignment To Council Strategy

The compilation of annual financial statements is directly aligned to Council's strategy to ensure financial sustainable local government including revenue collection/ generation, management and financial mobilisation.

RECOMMENDATIONS

It is recommended THAT this report together with the Audited Annual Financial Statements for the year ending 30 June 2011 be noted by the Committee for informational purposes in line with section 122 of the MFMA.

4.2

Annual Financial Statements for year end 30 June 2011

General Information

The following is included in the scope of operation	District Municipality
Grading of local authority	Grade 11 Local Authority
Chief Finance Officer (CFO)	Mr Brendon Scholtz
Accounting Officer	Mr Yunus Chamda
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	ABSA Bank
Auditors	Auditor General

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Abbreviations	
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment

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 municipality 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 responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality 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 loss 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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 loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 34, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:



Mr. Yunus Chamda

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011

1. Incorporation

The municipality was incorporated on 01 January 1988 and obtained its certificate to commence its business as a regional services council on the same day.

2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had an accumulated surplus of R129,327,717 and that the municipality's total assets exceed its liabilities by 132,635,149.

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.

3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

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

Name: Mr Yunus Chamda
Nationality: RSA

5. Bankers

The Current bankers appointed by Council through a formal tender process are ABSA Bank.

6. Auditors

The Auditor General will continue in office for the next financial period.

6. Cost cutting measures

Following the global economic crisis of 2009 and in line with MFMA Circular 48, the executive management of Sedibeng District Municipality had taken the decision to make conscientious efforts to increase revenue and decrease operating expenses by:

Increasing revenue through	Cost containment measures
<ul style="list-style-type: none"> – Optimizing all revenue streams; – Reviewing billing processes; – Rigorously applying credit control; – Tightening internal control measures and SCM processes 	<ul style="list-style-type: none"> – Educating staff to be more conscientious – Better cash management – Claiming discounts from creditors/ suppliers – Institutionalising discussion on under-provision of EMS grant – Institutionalising discussion on under-provision of equitable share – Value-for-money spending and application of economies-of-scale procurement – Closer monitoring of repairs & maintenance will lead to reduction in productivity losses – Reducing & reviewing discretionary spending

6. Income generation and turnaround strategies

In the attempt to explore revenue generation avenues for Council, executive management had resolved to:

- Review the progression and duration of renovation projects and as to when Council facilities will be available for external use by the public;
- Resolve on the issue of overtime and time-management for the staff at these venues;
- Formulate an income generating strategy as well as a marketing strategy for the venues;
- Develop income and tariffs policies based on the strategy above;
- Take a decision on the management of the confectionery and cafeteria stands.

Statement of Financial Position

<i>Figures in Rand</i>	Note(s)	2011	2010
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	2	42,428,705	117,972,319
Construction of Assets in Progress	6	-	33,205,456
Inventories	7	370,013	110,394
Trade and other receivables from exchange transactions	8	22,889,557	9,318,589
		65,688,275	160,606,758
<i>Non-Current Assets</i>			
Property, plant and equipment	4	192,591,725	173,906,545
Intangible assets	5	2,319,690	3,132,491
		194,911,415	177,039,036
Total Assets		260,599,690	337,645,794
Liabilities			
<i>Current Liabilities</i>			
Unspent conditional grants and receipts	10	33,326,167	32,838,449
Provisions	11	2,026,485	1,827,135
Trade and other payables from exchange transactions	12	80,628,803	43,114,801
VAT Payable	13	11,983,086	8,659,045
		127,964,542	86,439,430
Total Liabilities		127,964,542	86,439,430
Net Assets			
<i>Reserves</i>			
Government grant reserve	9	3,307,432	3,794,388
Accumulated surplus		129,327,717	247,411,976
Total Net Assets		132,635,149	251,206,364

Statement of Financial Performance

<i>Figures in Rand</i>	Note(s)	2011	2010
Revenue	1		
Sale of goods	4	321,965	305,674
Rental of facilities and equipment	14	7,695,109	8,428,823
Interest received (trading)	14	-	141
Income from agency services	14	6,496,536	5,664,190
Licenses and permits	14	43,254,275	37,037,748
Government grants & subsidies	15	290,229,183	252,453,877
Other income	16	1,163,667	1,865,007
Interest received - investment	21	6,237,003	13,813,333
Total Revenue		355,397,738	319,568,793
Expenditure			
General Expenses	17	(86,542,894)	(83,247,398)
Employee related costs	18	(232,053,627)	(198,345,065)
Remuneration of councillors	19	(8,368,655)	(7,709,580)
Debt impairment	20	(37,761)	-
Depreciation and amortisation	22	(17,198,678)	(8,749,480)
Finance costs	23	-	(317)
Public participation		(140,129)	(218,918)
Repairs and maintenance		(7,877,686)	(7,864,470)
Contracted services	25	(36,659,023)	(33,919,718)
Grants and subsidies paid	26	(84,710,637)	(20,151,737)
Total Expenditure		(473,589,090)	(360,206,683)
Gain or loss on disposal of assets and liabilities		107,092	90,062
Revenue from non-exchange transactions		-	13,691,933
Deficit for the year		(118,084,260)	(26,855,895)

Statement of Changes in Net Assets

<i>Figures in Rand</i>	Note	Government grant reserve	Accumulated surplus	Total net assets
Balance at 01 July 2009		2,047,382	282,775,059	284,822,441
Correction of errors	32	-	(7,615,803)	(7,615,803)
Restated Balance at 01 July 2009		2,047,382	275,159,256	277,206,638
Changes in net assets				
Adjustments		870,673	(891,385)	(20,712)
Offset Depreciation		(413,474)	-	(413,474)
Capital Grants used to purchase PPE		1,306,085	-	1,306,085
Asset Disposal		(16,278)	-	(16,278)
Net income (expenses) directly in net assets		1,747,006	(891,385)	855,621
Surplus for the year		-	(21,883,686)	(21,883,686)
Correction of errors	32	-	(5,185,285)	(5,185,285)
Restated Surplus for the year		-	(26,855,895)	(26,855,895)
Total recognised income and expenses for the year		1,747,006	(27,747,280)	(26,000,274)
Total changes		1,747,006	(27,747,280)	(26,000,274)
Balance at 01 July 2010		3,794,388	247,411,977	251,206,365
Changes in net assets				
Surplus for the year		-	(118,084,260)	(118,084,260)
Adjustments		-	-	-
Capital Grants used to purchase PPE		277,087	-	277,087
Asset disposals		(726,995)	-	(726,995)
Offset depreciation		(37,048)	-	(37,048)
Total changes		(486,956)	(118,084,260)	(118,571,216)
Balance at 30 June 2011		3,307,432	129,327,717	132,635,149

Cash Flow Statement

<i>Figures in Rand</i>	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Grants		278,718,934	243,171,376
Interest income		6,237,003	13,813,333
Other receipts		306,462,135	183,169,397
		591,418,072	440,154,106
Payments			
Employee costs		(240,629,523)	(206,054,645)
Suppliers		(390,641,205)	(236,901,470)
		(631,270,728)	(442,956,115)
Net cash flows from operating activities	29	(39,852,656)	(2,802,009)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35,718,666)	(51,398,574)
Proceeds from sale of property, plant and equipment	4	273,656	257,692
Purchase of other intangible assets	5	(245,948)	(256,369)
Net cash flows from investing activities		(35,690,958)	(51,397,251)
Cash flows from financing activities			
Repayment of financial lease liabilities			(60,021)
Finance lease payments			(317)
Net cash flows from financing activities			(60,338)
Net increase/(decrease) in cash and cash equivalents		(75,543,614)	(54,259,598)
Cash and cash equivalents at the beginning of the year		117,972,319	172,231,917
Cash and cash equivalents at the end of the year	2	42,428,705	117,972,319

Accounting Policies

1. Significant accounting policies to the Annual Financial Statements

1.1 Basis Of Presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate. The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board. Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Municipal Accounting Practices (SA GAMAP) including any interpretations of such statements issued by the Accounting Practices Board. The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements. These accounting policies are consistent with those of the previous financial year. Offsets Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP. The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2. Presentation Currency

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3. Significant Estimates, Judgements and Assumptions

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

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 11: Provisions and contingencies

Note 12: Lease classification

Note 20: Doubtful Debts

1.4. Reserves

1.4.1. Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.2. Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.3. Revaluation Reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). 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.

1.5. Property, Plant & Equipment

An item of property, plant and equipment which qualifies for recognition as an asset have been initially be measured at cost except where land and buildings have been revalued at fair value at date of the revaluation less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 4. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

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

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

Infrastructure Assets	Years
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 - 20

Community Assets	Years
Parks and gardens	10 - 30
Sport fields	20 - 30
Community halls	30
Recreation facilities	20 - 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	2 - 15
Security measures	3 - 10
Buildings	30
IT equipment	3 - 5
Office equipment	3 - 7
Specialised vehicles	10

The municipality has complied with Directive 4 of February 2008 and applied the requirements of the standard of GRAP 3, Accounting policies, Changes in accounting estimates and errors on the standard on Property, Plant and Equipment, GRAP 17, on initial adoption of the standard.

1.6. Intangible Assets

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1. Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of financial performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2. Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

1.7. Impairment of Financial Assets

Impairment of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified

1.8. Non-current Assets Held for Sale

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations, GRAP 100, and has done so prospectively, for all non-current assets (or disposal groups), that meet the criteria to be classified as held for sale.

An exception to non-recognition and non-measurement, is where items have not been recognised in accordance with other relevant GRAP standards as a result of transitional provisions, which take precedence over the requirements of GRAP 100. The following standards will have to be complied with first, or transitional provisions of these standards are to expire prior to application of GRAP 100:

GRAP 12:	Inventories
GRAP 16:	Investment property
GRAP 17:	Property, Plant and Equipment:
GRAP 101:	Agriculture
GRAP 102:	Intangible Assets

1.9. Leases

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.10. Financial Instruments

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.10.1. Financial Assets

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.10.1.1. Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale

decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

1.10.1.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy XX as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

1.10.1.3. Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

1.10.1.4. Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to assets management policy, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.10.2. Financial Liabilities

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes

party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.10.2.1. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.10.3. Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

1.11. Inventories

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Inventories, GRAP 12, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality has taken advantage of the three year transitional provision period in which it has to comply with GRAP 12.

Due to the Municipality taking advantage of the above three year transitional provisions, until expiration of these provisions the Municipality need not comply with the following:

- GRAP 1: Presentation of Financial Statements to the extent that this standard requires presentation, and disclosure, of inventories not measured in accordance with GRAP 12 as a result of the

transitional provision.
GRAP 101: Non-current Assets Held for Sale.

The necessary disclosures have been made for non-measurement of inventories in accordance with GRAP 12.

1.12. Cash and Cash Equivalents

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.13. Provisions and Contingencies

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the 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 used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions. All necessary disclosure for those assets not recognised as Property, Plant and Equipment have been made.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Where items have not been recognised in accordance with GRAP 17, Property, Plant and equipment as a result of transitional provisions, which take precedence over the requirements of GRAP 19. The GRAP 17 will have to be complied with first, or transitional provisions of this standard are to expire prior to application of GRAP 19.

The necessary disclosures have been made for non-recognition of provisions (which form part of the cost of an asset).

1.14. Employee Benefits

1.14.1. Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.14.2. Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.14.3. Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.14.4. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.14.5. Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

1.15. Revenue Recognition

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances

1.15.1. Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

- The amount of the revenue can be measured reliably.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

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

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Sale of Fuel

The municipality is selling AVGAS fuel at the Vereeniging Airport as part of enhancing service delivery to a specific community group.

1.15.2. Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.15.3. Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.15.4. Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.16. Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

1.17. Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18. Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20. Comparative Information

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

1.21. Construction of Assets in Progress

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.22. Related Parties

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

Sedibeng District Municipality performs an agency function on behalf of the Department of Health related to Ambulance services as well as an agency service with the Department of Transport, Roads and Works related to motor vehicle license renewal fees.

Council does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

2. Cash and cash equivalents

Cash, cash equivalents and short term investments consist of:

<i>Figures in Rand</i>	2011	2010
Cash on hand	40,125	40,175
Cash book balances	22,024,261	23,273,539
Investment deposits	20,364,319	94,658,605
	42,428,705	117,972,319
Current assets -Bank balances and cash on hand	22,064,386	23,313,714
Current assets -Investment deposit	20,364,319	94,658,605
	42,428,705	117,972,319

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK <i>Primary Bank Account</i>	3,583,679	10,603,511	1,388,301	3,503,814	10,306,855	321,171
ABSA BANK <i>License Function Bank Account</i>	16,563,063	12,541,510	12,298,979	18,520,447	12,541,510	12,298,979
ABSA BANK <i>RSC Levy Bank Account</i>	-	425,174	325,612	-	425,174	297,010
NEDBANK <i>Theatre Bank Account</i>	-	-	51,707	-	-	51,707
Total	20,146,742	23,570,195	14,064,599	22,024,261	23,273,539	12,968,867

Investments Deposits		
ABSA Bank -Call Account - 908 579 6427	92,325	4,260,870
STANDARD Bank -Investment account - 228499054	13,035	40,285,855
ABSA Bank -Investment Account - 206 832 6856	-	30,101,195
First National Bank -Investment Account - 742 724 208 67	-	20,010,685
ABSA Bank -Investment Account - 207 050 6236	20,258,959	-
	20,364,319	94,658,605

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year. Operating leases have been restated in accordance with GRAP 13. The impact of the implementation is very limited as the majority of operating leases have a 0% escalation clause except the lease of two office buildings. An operating lease liability has been created while lease rentals on operating leases have increased with the same amount.

Residual value on fixed assets has been implemented which had resulted in a change in the depreciation of fixed assets taking into account the residual value while all assets with a purchase price of less than R5,000 are being expense in the same year as acquisitions.

4. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land & Buildings	114,560,986	(6,347,483)	108,213,503	113,920,574	(3,937,567)	109,983,007
Furniture and fixtures	15,010,431	(10,501,683)	4,508,748	12,600,275	(8,480,610)	4,119,665
Motor vehicles	12,182,150	(6,054,913)	6,127,237	9,085,737	(4,669,740)	4,415,997
Electronic equipment	22,723,171	(8,541,550)	14,181,621	12,358,838	(6,592,385)	5,766,453
Infrastructure	68,796,613	(14,763,303)	54,033,310	51,550,413	(7,311,089)	44,239,324
Other property, plant & equipment	9,468,404	(4,528,615)	4,939,789	8,056,100	(2,985,297)	5,070,803
Specialised vehicles	745,973	(158,456)	587,517	453,091	(141,795)	311,296
Total	243,487,728	(50,896,003)	192,591,725	208,025,028	(34,118,483)	173,906,545

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Disposals	Depreciation	Total
Land & Buildings	109,983,007	640,412	-	(2,409,916)	108,213,503
Furniture and fixtures	4,119,665	2,427,801	(12,670)	(2,026,048)	4,508,748
Motor vehicles	4,415,997	3,163,648	(32,930)	(1,419,478)	6,127,237
Electronic equipment	5,766,453	10,535,418	(120,964)	(1,999,286)	14,181,621
Infrastructure	44,239,324	17,246,200	-	(7,452,214)	54,033,310
Other property, plant & equipment	5,070,803	1,412,304	-	(1,543,319)	4,939,789
Specialised vehicles	311,296	292,882	-	(16,661)	587,517
Total	173,906,545	35,718,666	(166,564)	(16,866,922)	192,591,725

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Depreciation	Total
Land & Buildings	97,962,668	14,063,206	-	(2,042,867)	109,983,007
Furniture and fixtures	5,350,203	1,572,645	-	(2,803,183)	4,119,665
Motor vehicles	5,201,608	-	-	(785,611)	4,415,997
Electronic equipment	5,738,762	4,102,628	(159,166)	(3,915,771)	5,766,453
Infrastructure	16,370,240	30,074,384	-	(2,205,300)	44,239,324
Other property, plant & equipment	4,101,050	1,585,711	(8,464)	(607,494)	5,070,803
Specialised vehicles	329,492	-	-	(18,196)	311,296
Total	135,054,023	51,398,574	(167,630)	(12,378,422)	173,906,545

5. Intangible assets

	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software, other	3,524,145	(1,204,455)	2,319,690	3,278,197	(145,706)	3,132,491

Reconciliation of intangible assets -2011

	Opening Balance	Additions	Amortisation	Total
Computer software, other	3,132,491	245,948	(1,058,749)	2,319,690

Reconciliation of intangible assets -2010

	Opening Balance	Additions	Amortisation	Total
Computer software, other	2,999,335	256,369	(123,213)	3,132,491

6. Construction of Assets in Progress

Related Projects	2011	2010
Upgrade Matanzima Road Phase1	-	2,980,295
Construction Bonatla Road Phase 2	-	137,985
Upgrade Ring Road Phase 2	-	1,906,396
Construction of Thorometsane road	-	7,330,212
Construction of Sekwati Road	-	10,279,620
Construction of Tea-Tree Road	-	3,208,496
Evaton Pedestrian Sidewalk	-	431,530
Road Signage	-	541,878
Sharpeville Community Hall	-	1,439,170
Sharpeville Police Station	-	346,050
Sharpeville Cemetery	-	4,603,825
	-	33,205,457

7. Inventories

	2011	2010
Fuel -Airport	370,013	110,394

8. Trade and other receivables from exchange transactions

	2011	2010
Trade debtors	640,932	692,383
Prepayments (if immaterial)	107,089	-
VAT on Accruals	1,464,614	562,471
Government subsidies	16,985,000	-
Bank Error	-	49,351
Operating Projects -Bridging Finance	-	3,397,542
Department of Transport -License refund	-	3,617,828
Local Municipalities -Agency services	2,959,591	999,014
Salaries Advanced	85,392	
HIV & AIDS Bridging Finance	646,939	
	22,889,557	9,318,589

9. Government grant reserve

	2011	2010
Opening balance	3,794,388	2,047,382
Capital grants used to obtain property, plant and equipment	277,087	1,306,085
Offset depreciation	(726,994)	(413,475)
Asset Lifespan adjustment		870,673
Asset Disposal	(37,049)	(16,277)
	3,307,432	3,794,388

10. Unspent conditional grants and receipts

Below is a list of all grants where all the conditions were not yet met during the year under review.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2011	2010
Provincial Grants	9,908,233	10,654,036
National Grants	21,575,280	19,349,833
DPLG Grants	1,842,654	2,834,580
	33,326,167	32,838,449

Movement during the year

	2011	2010
Balance at the beginning of the year	32,838,449	26,400,030
Additions during the year	43,525,900	26,273,000
Income recognition during the year	(43,038,182)	(19,834,581)
	33,326,167	32,838,449

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note 15 for reconciliation of grants from National/Provincial Government. These amounts are invested in an investment account until utilised.

11. Provisions

Reconciliation of provisions - 2011	Opening Balance	Additions	Total
Performance Bonus	1,141,900	-	1,141,900
Retirement Bonus	685,235	199,350	884,585
	1,827,135	199,350	2,026,485

Reconciliation of provisions - 2010	Opening Balance	Additions	Total
Performance Bonus	1,141,900	-	1,141,900
Retirement Bonus	566,260	118,975	685,235
	1,708,160	118,975	1,827,135

12. Trade and other payables from exchange transactions

	2011	2010
Trade payables	14,740,485	19,356,490
Accrued leave pay	16,739,201	13,613,807
Operating lease liabilities	84,217	63,185
Department of Transport (License fees)	39,767,852	2,551,303
Local Municipalities Accounts	5,564,666	7,270,120
Retention on Capital Projects	1,618,832	-
Compensation Commissioner	1,330,307	-
Insurance Claims	-	7,885
Mayoral Event	98,800	78,800
Ambulance fees in advance	87,122	66,197
Refundable town hall rental deposits	71,749	40,181
Unclaimed Salaries	25,199	5,574
Salaries in arrears	-	54,645
Unknown deposits	134,598	-
VAT on Debtors	365,774	6,614
	80,628,803	43,114,801

13. VAT Payable

	2011	2010
VAT payable	11,983,086	8,659,045

14. Revenue

	2011	2010
Sale of goods	321,965	305,674
Income from agency services	6,496,536	5,664,190
Licenses and permits	43,254,275	37,037,748
Government grants & subsidies	290,229,183	252,453,877
	340,301,959	295,461,489

The amount included in revenue arising from exchanges of goods or services are as follows:

	2011	2010
Sale of goods	321,965	305,674
Rental of facilities & equipment	7,695,109	8,428,823
Income from agency services	6,496,536	5,664,190
Licenses and permits	43,254,275	37,037,748
	57,767,885	51,436,435

The amount included in revenue arising from non-exchange transactions is as follows:

	2011	2010
Government grants & subsidies	290,229,183	252,453,877

15. Government grants and subsidies

	2011	2010
Equitable share	213,221,000	201,582,745
Ambulance Subsidies	33,970,000	31,120,000
Youth Grant	-	1,000,000
Support Grants	43,038,183	18,751,132
	290,229,183	252,453,877

Equitable Share

	2011	2010
Current year receipts	(213,221,000)	(201,582,745)
Conditions met -transferred to revenue	213,221,000	201,582,745
	-	-

Conditions still to be met - remain liabilities (see note 10)

Ambulance Subsidies

	2011	2010
Current year receipts	(33,970,000)	(31,120,000)
Conditions met -transferred to revenue	33,970,000	31,120,000
	-	-

Conditions still to be met - remain liabilities (see note 10)

Provincial Grants

	2011	2010
Balance unspent at beginning of year	10,654,036	16,973,519
Current year receipts	4,427,900	650,000
Conditions met -transferred to revenue	(5,173,703)	(6,969,483)
	9,908,233	10,654,036

Conditions still to be met - remain liabilities (see note 10)

National Grants

	2011	2010
Balance unspent at beginning of year	19,349,833	1,933,809
Current year receipts	39,098,000	24,623,000
Conditions met -transferred to revenue	(36,872,553)	(7,017,976)
Transfer back to Grant Authority	-	(189,000)
	21,575,280	19,349,833

Conditions still to be met - remain liabilities (see note 10)

The outstanding amount consist of the following Grants:

	2011	2010
<i>NDPG</i>	<i>21,405,923</i>	<i>19,269,175</i>
<i>Finance Management Grant</i>	<i>38,256</i>	<i>42,005</i>
<i>MSIG</i>	<i>-</i>	<i>38,653</i>
<i>Danida - Urban Environment Grant</i>	<i>131,101</i>	
	21,575,280	19,349,833

DPLG Grants

	2011	2010
Balance unspent at beginning of year	2,834,580	6,291,847
Conditions met -transferred to revenue	(991,926)	(3,457,267)
	1,842,654	2,834,580

Conditions still to be met - remain liabilities (see note 10)

Local Municipality Grants

	2011	2010
Balance unspent at beginning of year	-	1,000,855
Conditions met -transferred to revenue	-	(1,000,855)
	-	-

Conditions still to be met - remain liabilities (see note 10)

Local Municipality Grants

	2011	2010
Current year receipts	-	1,000,000
Conditions met -transferred to revenue	-	(1,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 10)

DBSA Grant

	2011	2010
Balance unspent at beginning of year	-	200,000
Conditions met -transferred to revenue	-	(200,000)
	-	-

Conditions still to be met - remain liabilities (see note 10)

16. Other revenue

	2011	2010
Ad-hoc income	139,037	151,252
Skills levy income	124,046	708,746
Ambulance fees	442,017	657,892
Tender income	153,246	221,323
Commission on salaries	147,347	125,794
Telephone cost recovered	157,974	-
	1,163,667	1,865,007

17. General expenses

	2011	2010
Advertising	1,091,628	1,746,412
Assessment rates & municipal charges	7,017,932	4,651,187
Auditors remuneration	2,018,762	2,756,648
Bank charges	662,276	652,426
Computer expenses	2,363,111	2,258,991
Consulting and professional fees	6,008,145	4,721,138
Consumables	1,061,427	1,095,509
Debt collection	2,743,294	-
Entertainment	505,997	432,485
Insurance	2,453,864	1,975,483
Lease rentals on operating lease	6,970,888	5,131,935
Marketing	2,841,587	15,316,450
Magazines, books and periodicals	261,805	265,741
Fuel and oil	826,722	799,895
Postage and courier	13,449	21,388
Printing and stationery	2,594,941	2,763,085
Promotions	3,392,160	2,245,130
Protective clothing	912,952	1,073,129
Royalties and license fees	2,276,190	2,208,363
Staff welfare	187,478	1,332,219
Subscriptions and membership fees	1,296,466	1,094,718
Telephone and fax	4,167,686	4,196,116
Training	1,970,722	2,706,301
Travel	2,131,845	2,976,041
Campaigns	681,430	1,008,054
Office refreshments	486,061	424,843
Workshops	8,867,245	8,573,437
Congresses & Meetings	504,009	636,527
Expenses from Grants	16,777,565	6,446,896
External Bursaries	492,000	948,000
Donations & Grants	992,462	588,908
Catering Expenses	1,556,819	1,944,076
Sale of goods -Aircraft fuel	413,976	255,867
	86,542,894	83,247,398

18. Employee related costs

Employee related cost exclusive of Section 57 employees

	2011	2010
Basic	138,410,255	118,521,882
Medical aid -company contributions	11,510,204	9,607,846
UIF	1,188,621	1,094,137
WCA	1,330,307	1,223,265
SDL	1,774,466	1,501,338
Other payroll levies	2,731,895	2,325,220
Leave pay provision charge	4,142,851	5,780,814
Post-employment benefits -Pension -Defined contribution plan	27,306,816	23,223,200
Overtime payments	9,073,410	8,817,512
13th Cheques	14,833,168	8,633,816
Car allowance	10,890,088	9,978,257
Housing benefits and allowances	1,133,404	1,432,175
Telephone Allowances	500	1,061
Standby Allowance	1,904,083	1,911,726
	226,230,068	194,052,249

Remuneration of municipal manager

	2011	2010
Annual Remuneration	897,906	859,807
Car Allowance	119,784	119,784
Contributions to UIF, Medical and Pension Funds	83,666	78,870
	1,101,356	1,058,461

Remuneration of chief operating officer

	2011	2010
Annual Remuneration	894,007	-
Contributions to UIF, Medical and Pension Funds	43,746	-
	937,753	-

Remuneration of chief finance officer

	2011	2010
Annual Remuneration	556,417	539,033
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	159,772	144,756
Housing Allowance	4,800	4,800
	840,989	808,589

Remuneration of executive directors

	2011	2010
Annual Remuneration	2,277,043	1,769,456
Car Allowance	372,348	372,348
Contributions to UIF, Medical and Pension Funds	294,070	283,962
	2,943,461	2,425,766

The Executive Director for Strategic Planning and Economic Development (SPED) was appointed on 5 January 2011.

Total employee related costs	232,053,627	198,345,065
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19. Remuneration of councillors

	2011	2010
Executive Major	656,507	628,199
Mayoral Committee Members	3,963,438	3,708,175
Speaker	527,510	501,855
Councillors	2,449,887	2,163,893
Councillors' pension contribution	771,313	707,458
	8,368,655	7,709,580

Benefits-in-kind

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards.

20. Debt impairment

	2011	2010
Debt impairment	37,761	-

21. Investment revenue

	2011	2010
Interest Revenue - Bank	6,237,003	13,813,333

22. Depreciation

	2011	2010
Property, plant and equipment	16,139,929	8,504,213
Intangible assets	1,058,749	245,267
	17,198,678	8,749,480

23. Finance costs

	2011	2010
Finance leases	-	317

24. Auditors' remuneration

	2011	2010
Fees	2,018,762	2,756,648

25. Contracted Services

	2011	2010
Specialist Services	11,747,604	11,714,383
Other Contractors	24,911,419	22,205,335
	36,659,023	33,919,718

26. Grants and subsidies paid

	2011	2010
Other subsidies - Grants paid to Local Municipalities	84,710,637	20,151,737

27. Cash receipts from customers

	2011	2010
Income	355,397,738	319,568,793
Inventories	(259,619)	(78,137)
Trade and other receivables from exchange transactions	(13,570,968)	4,166,371
VAT	3,324,041	(3,067,720)
	344,891,192	320,589,307

28. Cash paid to suppliers and employees

	2011	2010
Expenses	473,589,090	360,419,759
Movements in provisions	(199,350)	(118,975)
Construction of Assets in Progress	(33,205,456)	(564,958)
Trade and other payables from exchange transactions	(37,514,002)	(3,514,185)
Unspent conditional grants and receipts	(487,718)	(6,438,419)
Depreciation	(17,198,678)	(8,962,556)
Finance costs	-	(317)
Surplus/Deficit account adjustments	-	891,385
Assets Adjustments	(240,038)	(18,320,418)
	384,743,848	323,391,316

29. Cash used in operations

	2011	2010
Deficit	(118,084,260)	(26,855,895)
Adjustments for:		
Depreciation	17,198,678	8,749,480
Loss / (Gain) on sale of assets and liabilities	(107,092)	(90,062)
Initial recognition of fixed asset at fair value	-	(13,691,933)
Finance costs -Finance leases	-	317
Debt impairment	37,761	-
Movements in provisions	199,350	118,975
Asset movement	240,038	18,320,418
Surplus/Deficit account adjustments	-	(891,385)
Changes in working capital:		
Inventories	(259,619)	(78,137)
Trade and other receivables from exchange transactions	(13,570,968)	4,166,371
Consumer debtors	(37,761)	-
Construction of Assets in Progress	33,205,456	564,958
Trade and other payables from exchange transactions	37,514,002	3,514,185
VAT	3,324,041	(3,067,720)
Unspent conditional grants and receipts	487,718	6,438,419
	(39,852,656)	(2,802,009)

30. Commitments**Authorised capital expenditure**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases – as lessee (expense)

Minimum lease payments due	2011	2010
-Later than one year and not later than five years	7,323,949	7,736,839
-Later than 5 years	1,120,720	2,241,441
Less: Future Finance charges	(21,031)	(63,185)
	8,423,638	9,915,095

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are normally fixed for an average of three years. No contingent rent is payable.

31. Contingencies

The municipality might be liable for claims instituted against the municipality from employees with disputes against Council. The amount is uncertain as an arbitration award has not yet being issued against those claims. Council might be held liable for interest and/or penalties relating to VAT disclosure on Agency Licensing fees for the past four years based on a VAT audit conducted. We have disclosed the R18,594,021 through the voluntary disclosure program run at SARS

Contingent assets

A VAT audit was conducted and a potential revenue of R 22,239,420 might arise after SARS has completed their reconciliation.

Emergency Medical Services is the process of being transferred to the Department of Health whereby unfunded expenditure related to the previous years might be recoverable which amounts to R 33,441,815.

32. Prior year restatements

Statement of changes in net assets

Opening Balance 1 July 2009	282,775,059
License revenue overstated	-13,408,737
Creditor on taxi ranks not created	-1,378,632
Assets life span extended	7,171,565
Restated Closing balance 1 July 2009	275,159,255
Surplus for the year	-21,883,686
License revenue overstated	-5,185,285
Depreciation of fixed assets	213,076
Restated Surplus for the year	-26,855,895

33. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality 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.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality 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 utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

34. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had an accumulated surplus of R129,327,717 and that the municipality's total assets exceed its liabilities by R132,635,149.

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.

35. Events after the reporting date

A decision was made by the Provincial Department of Health that Emergency Medical Services will be Provincialise with the target date being March 2012. This will resolve the unfunded portion currently in dispute with the Department of Health.

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties need to be transferred to their rightful owner, Emfuleni Local Municipality.

36. Unauthorised, fruitless & wasteful expenditure and irregular expenditure**Unauthorised expenditure**

Council does have an over expenditure on Employee related cost which resulted mainly from additional provision on leave days accumulated and the Compensation commissioner tariff which increased without making the necessary provision on the budget. This amount to R3,36 million

Grants and subsidies paid has an over expenditure of R 84,5 million due to assets being done on behalf of the Local Municipalities being transferred as a grant. These expenses were budgeted for under capital projects in the current and previous financial years

Fruitless & wasteful expenditure

1. Fruitless and wasteful expenditure to the sum of R140,000 to Khaprop Properties Pty Ltd was detected, duly reported and condoned by the Municipal Manager.
2. Reference is made to a disclosure in the 2009/ 2010 Annual Financial Statements whereby the former Speaker of Council received a motor vehicle allowance as well as council had rented a vehicle for the execution of the former Speaker's duties thereby causing the municipality to incur fruitless and wasteful expenditure. An approximate amount of R322,000 was discovered and an investigation prompted. The matter has been reported to the MEC: DLGH for condonement.

Irregular Expenditure

Council incurred irregular expenditure as a result of non-compliance with supply chain management regulations to the amount of R1,615,346.45 on extending and/or amending contracts.

3. The Office of the Executive Mayor has incurred expenses on the council's credit card which amounts to R369,413.20 for the 2010/11 financial year while normal supply chain processes were not followed during the procurement of these items. The matter has been reported to the MEC: DLGH for condonement.

37. Additional disclosure in terms of Municipal Finance Management Act**PAYE, UIF & SDL**

	2011	2010
Current year subscription / fee	32,270,670	27,404,132
Amount paid -current year	(32,270,670)	(27,404,132)
	-	-

Pension and Medical Aid Deductions

	2011	2010
Current year subscription / fee	57,431,587	48,905,770
Amount paid -current year	(57,431,587)	(48,905,770)
	-	-

VAT

	2011	2010
VAT Payable	11,983,086	8,659,045

All VAT returns have been submitted by the due date throughout the year. A Vat review has been conducted and the exercise is not yet finalized.

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/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder as Appendix G have been condoned.

38. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

40. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

41. Deviation from supply chain management regulations

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

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

Refer to Appendix G for detail.

42. Additional Note

Appendix B: Analysis of Property, plant and equipment

43. Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	32	24 sets were used for the full year; 8 sets were procured during the financial year
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	32	

44. Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

Emfuleni Local Municipality	R 6,044,516
Midvaal Local Municipality	R 1,451,034

APPENDIX B for the period ended 30 June 2011

Government Template: Analysis of Property Plant and Equipment as at 30 June 2011

	Cost / Revaluation			Accumulated Depreciation			Carrying Value	Budget Additions
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Buildings								
Land	41,907,735	-	-	41,907,735	608,655	-	41,299,080	-
Buildings	72,012,839	640,412	-	72,653,251	3,328,912	2,409,916	66,914,423	11,335,000
	113,920,574	640,412	-	114,560,986	3,937,567	2,409,916	108,213,503	11,335,000
Motor vehicles								
Vehicles	9,085,737	3,163,647	67,234	12,182,150	4,669,739	1,419,478	6,127,236	3,275,000
	9,085,737	3,163,647	67,234	12,182,150	4,669,739	1,419,478	6,127,236	3,275,000
IT equipment								
Computer Equipment	12,360,038	10,535,418	171,085	22,724,371	6,593,585	1,999,286	14,181,621	12,101,036
	12,360,038	10,535,418	171,085	22,724,371	6,593,585	1,999,286	14,181,621	12,101,036
Computer software								
Intangible Asset	3,278,197	245,948	-	3,524,145	145,706	1,058,749	2,319,690	260,000
	3,278,197	245,948	-	3,524,145	145,706	1,058,749	2,319,690	260,000
Infrastructure								
Security	37,755,290	17,246,200	-	55,001,490	5,592,559	6,762,341	42,646,590	17,560,000
Airport	9,921,064	-	-	9,921,064	766,580	496,334	8,658,150	-
Electricity	100,974	-	-	100,974	5,460	5,045	90,469	-
Water	3,773,085	-	-	3,773,085	946,489	188,494	2,638,102	-
	51,550,413	17,246,200	-	68,796,613	7,311,088	7,452,214	54,033,311	17,560,000

APPENDIX B for the period ended 30 June 2011

	Cost / Revaluation			Accumulated Depreciation			Carrying Value	Budget Additions	
	Opening Balance	Additions / Revaluations	Disposals	Closing Balance	Opening Balance	Additions / Revaluations			Disposals
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Other property, plant and equipment									
Office Equipment	12,613,258	2,427,800	17,645	15,023,413	8,493,592	2,026,049	4,975	10,514,666	3,083,626
Furniture & Fittings	8,055,600	1,412,303	-	9,467,903	2,984,896	1,543,319	-	4,528,215	3,050,000
Emergency Equipment	1,500	-	-	1,500	1,400	-	-	1,400	100
Aircraft	384,211	-	-	384,211	96,231	15,808	-	112,039	272,172
Watercraft	68,880	292,882	-	361,762	45,564	853	-	46,417	315,345
Total	21,123,449	4,132,985	17,645	25,238,789	11,621,683	3,586,029	4,975	15,202,737	6,483,626
Buildings	113,920,574	640,412	-	114,560,986	3,937,567	2,409,916	-	6,347,483	11,335,000
Motor vehicles	9,085,737	3,163,647	67,234	12,182,150	4,669,739	1,419,478	34,303	6,054,914	3,275,000
IT equipment	12,360,038	10,535,418	171,085	22,724,371	6,593,585	1,999,286	50,121	8,542,750	12,101,036
Computer software	3,278,197	245,948	-	3,524,145	145,706	1,058,749	-	1,204,455	260,000
Infrastructure	51,550,413	17,246,200	-	68,796,613	7,311,088	7,452,214	-	14,763,302	17,560,000
Other property, plant and equipment	21,123,449	4,132,985	17,645	25,238,789	11,621,683	3,586,029	4,975	15,202,737	6,483,626
Total	211,318,408	35,964,610	255,964	247,027,054	34,279,368	17,925,672	89,399	52,115,641	51,014,662

APPENDIX C for the period ended 30 June 2011

Government template: Segmental Analysis of Property Plant and Equipment as at 30 June 2011

	Cost / Revaluation			Accumulated Depreciation			Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance		Disposals
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive & Council	2,590,225	854,578	-	113,110	3,331,693	1,402,357	42,046	1,849,379
Finance & Admin	55,066,068	13,315,582	-	87,102	68,294,548	13,441,352	32,316	19,206,694
Planning & Development	5,767,035	1,226,738	-	38,365	6,955,408	1,572,105	7,112	2,411,247
Health	1,027,438	470,153	-	-	1,497,591	668,134	-	832,532
Community & Social Services	2,631,964	451,921	-	-	3,083,885	1,561,483	-	2,041,109
Housing	200,687	15,194	-	-	215,881	102,758	-	135,266
Public Safety	40,364,984	16,944,864	-	-	57,309,848	7,403,809	-	14,338,983
Sport & Recreation	-	-	-	-	-	-	-	-
Environmental Protection	1,826,683	11,622	-	-	1,838,305	877,813	-	1,180,621
Waste Management	84,704	-	-	-	84,704	55,847	-	61,976
Road Transport	74,929,376	2,237,232	-	17,386	77,149,222	5,365,040	7,726	7,232,437
Water	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Other	26,899,934	436,725	-	-	27,336,659	1,899,361	-	2,896,287
	211,389,098	35,964,609	-	255,963	247,097,744	34,350,059	89,200	52,186,531
						17,925,672		24,440,372
								194,911,213

APPENDIX D for the period ended 30 June 2011

Segmental statement of Financial Performance for the year ended

	Prior year			Sedibeng District Municipality	Prior year		
	Actual Income (000's)	Actual Expenditure (000's)	Surplus / (Deficit) (000's)		Actual Income (000's)	Actual Expenditure (000's)	Surplus / (Deficit) (000's)
	-	24,656,488	(24,656,488)	Executive & Council	9,462	29,423,872	(29,414,410)
254,712,582	162,551,352	92,161,230		Finance & Administration	277,331,698	227,626,219	49,705,479
-	23,322,881	(23,322,881)		Planning & Development	19,886	19,844,612	(19,824,726)
31,781,880	49,244,337	(17,462,457)		Health	34,419,101	53,038,581	(18,619,480)
1,587,630	21,680,046	(20,092,416)		Community & Social Services	115,065	57,466,656	(57,351,591)
-	2,321,431	(2,321,431)		Housing	10,284	3,115,624	(3,105,340)
-	19,517,716	(19,517,716)		Public Safety	1,953	19,854,532	(19,852,579)
-	-	-		Sport and Recreation	-	-	-
-	15,626,797	(15,626,797)		Environmental Protection	930	15,848,965	(15,848,035)
-	-	-		Waste Water Management	-	-	-
37,121,829	36,151,287	970,542		Road Transport	43,268,762	42,258,993	1,009,769
-	-	-		Water	-	-	-
-	-	-		Electricity	-	-	-
8,146,867	5,134,348	3,012,519		Other	327,689	5,111,036	(4,783,347)
333,350,788	360,206,683	(26,855,895)			355,504,830	473,589,090	(118,084,260)

APPENDIX E(1) for the period ended 30 June 2011

Government Template: Actual versus Budget (Revenue and Expenditure) For the year ended 30 June 2011

	Actual Balance (000's)	Budget Amount (000's)	Variance (000's)	Variance %	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rental of facilities and equipment	7,695	9,708	(2,013)	(20.7)	Theatres closed temporarily for maintenance
Licenses and permits	43,254	42,000	1,254	3.0	
Income from agency services	6,497	6,297	200	3.2	
Government grants & subsidies	290,229	287,757	2,472	0.9	
Trading and general	322	504	(182)	(36.1)	
	347,997	346,266	1,731	0.5	Less fuel sales than anticipated
Other income					
Other income	1,164	23,236	(22,072)	(95.0)	Budget for income related to prior years.
Interest received - investment	6,237	9,946	(3,709)	(37.3)	
Property, plant and equipment	107	112	(5)	(4.5)	
Profit and loss on exchange differences	-	-	-	-	
	7,508	33,294	(25,786)	(77.4)	More PPE lost than anticipated
Cost of sales					
Sale of goods	(414)	(500)	86	(17.2)	Fuel sales less than anticipated Assets less than R5000 depreciated in year of acquisition.
Manufacturing - Depreciation & impairments	(16,154)	(7,069)	(9,085)	128.5	
	(16,568)	(7,569)	(8,999)	118.9	
Total Revenue	338,937	371,991	(33,054)	(2.4)	
Expenses					
Employee related costs	(232,054)	(228,694)	(3,360)	1.5	Assets completed on behalf of Locals transferred. Expenditure from grants received not originally budgeted for.
Remuneration of councillors	(8,369)	(8,422)	53	(0.6)	
Debt impairment	(38)	-	(38)	-	
Public Participation	(140)	(140)	-	-	
Amortisation	(1,045)	-	(1,045)	-	
Repairs and maintenance	(7,878)	(7,756)	(122)	1.6	
Contracted Services	(36,659)	(38,166)	1,507	(3.9)	
Grants and subsidies paid	(84,711)	(200)	(84,511)	42,255.5	
General expenses	(86,128)	(70,271)	(15,857)	22.6	
	(457,022)	(353,649)	(103,373)	29.2	
Operating profit	(118,085)	18,342	(136,427)	(612.6)	
Other revenue and costs					
Net surplus/ (deficit) for the year	(118,085)	18,342	(136,427)	(612.6)	

APPENDIX E(2) for the period ended 30 June 2011

**Government Template: Actual versus Budget (Acquisition of Property, Plant and Equipment)
for the year ended 30 June 2011**

	Additions <i>Rand</i>	Under Constr. <i>Rand</i>	Closing Balance <i>Rand</i>	Budget <i>Rand</i>	Variance <i>Rand</i>	Variance %	Explanation of Significant Variances greater than 10% versus Budget
Buildings							
Land	-	-	-	-	-	-	
Buildings	640,412	-	640,412	11,335,000	(10,694,588)	(1,670)	Part of cost cutting – needs re-aligned
	640,412	-	640,412	11,335,000	(10,694,588)	(1,670)	
Motor vehicles							
Vehicles	3,163,647	-	3,163,647	3,275,000	(111,353)	(4)	
	3,163,647	-	3,163,647	3,275,000	(111,353)	(4)	
Office equipment	-	-	-	-	-	-	
IT equipment							
Computer Equipment	10,535,418	-	10,535,418	12,101,036	(1,565,618)	(15)	Part of cost cutting – needs re-aligned
	10,535,418	-	10,535,418	12,101,036	(1,565,618)	(15)	
Computer software							
Intangible Assets	245,948	-	245,948	260,000	(14,052)	(6)	
	245,948	-	245,948	260,000	(14,052)	(6)	
Infrastructure						(2)	
Security	17,246,200	-	17,246,200	17,560,000	(313,800)	-	
Airport	-	-	-	-	-	-	
Electricity	-	-	-	-	-	-	
Water	-	-	-	-	-	-	
	17,246,200	-	17,246,200	17,560,000	(313,800)	(2)	
Other property, plant and equipment							
Landfill sites	-	-	-	-	-	-	
Office Equipment	2,427,800	-	2,427,800	3,083,626	(655,826)	(27)	Part of cost cutting – needs re-aligned
Furniture & Fittings	1,412,303	-	1,412,303	3,050,000	(1,637,697)	(116)	
Bins and Containers	-	-	-	-	-	-	
Emergency Equipment	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Fire engines	-	-	-	-	-	-	
Refuse tankers	-	-	-	-	-	-	
Computer equipment	-	-	-	-	-	-	
Councillors Regalia	-	-	-	-	-	-	
Conservancy tankers	-	-	-	-	-	-	
Watercraft	292,882	-	292,882	350,000	(57,118)	(20)	Saving on purchase
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	4,146,968	-	4,146,968	6,483,626	(2,336,658)	(56)	
Total							
Buildings	640,412		640,412	11,335,000	(10,694,588)	(1,670)	
Leasehold property	-	-	-	-	-	-	
Plant and machinery	-	-	-	-	-	-	
Furniture and fixtures	-	-	-	-	-	-	
Motor vehicles	3,163,647	-	3,163,647	3,275,000	(111,353)	(4)	
Office equipment	-	-	-	-	-	-	
IT equipment	10,535,418	-	10,535,418	12,101,036	(1,565,618)	(15)	
Computer software	245,948	-	245,948	260,000	(14,052)	(6)	
Housing Develop Fund	-	-	-	-	-	-	
Infrastructure	17,246,200	-	17,246,200	17,560,000	(313,800)	(2)	
Community	-	-	-	-	-	-	
Other property, plant and equipment	4,132,985	-	4,132,985	6,483,626	(2,350,641)	(56)	
	35,964,610		35,964,610	51,014,662	(15,050,052)	(42)	

APPENDIX F for the period ended 30 June 2011

Disclosures of Grants and Subsidies in terms of Section 123 of MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts						Quarterly Expenditure						Grants and Subsidies delayed / withheld						Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Jun	Sep	Dec	Mar	Jun					
Equitable Share	National Treasury	73,242,000	71,073,000	68,906,000	-	53,305,250	53,305,250	53,305,250	53,305,250	53,305,250	53,305,250	-	-	-	-	-	-	Yes/ NO				
Youth Grant	NYDA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes				
Ambulance Subsidy	Dept of Health	8,492,500	-	-	8,492,500	12,564,000	12,369,106	11,766,792	13,102,753	8,492,500	8,492,500	-	-	-	-	8,492,500	8,492,500	Yes	Cash shortages at Provincial Department			
NDPG Grant	National Treasury	-	-	-	-	3,950,795	8,415,477	5,213,804	5,392,636	-	-	-	-	-	-	-	-	Yes				
Operational Grant	National treasury	-	-	23,000,000	-	4,239,081	3,209,234	5,947,480	2,613,507	-	-	-	-	-	-	-	-	Yes				
DLG Grants	DLG Grants	1,000,000	15,098,000	-	-	510,846	73,189	42,664	165,227	-	-	-	-	-	-	-	-	Yes				
Provincial grants	Provincial Treasury	-	2,147,900	1,980,000	300,000	189,101	422,609	1,232,231	2,063,635	-	-	-	-	-	-	908,000	-	Yes				
		82,734,500	88,318,900	93,886,000	8,792,500	74,759,073	77,794,865	77,508,221	74,533,548	-	-	-	-	-	-	8,492,500	9,400,500	Yes				

APPENDIX G

Deviations recorded for the month: July 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
10/07/2010	Heraut	U	1020404	4701071060003	One quote was source due to time constraints	Sole supplier for target	R 21 340.80	MM	Office of the Mayor
22/07/2010	Morietez Trading	U	1020414	4404031101200	Existing Public Toilets are out of order tender process underway	Public Toilets	R98 200.00	MM	Corporate Services
20/07/2010	Novell	U	1020505	4421011060201	Sole Supplier target	Commission software owned by the sole supplier	R151 050.00	MM	Corporate Services
Total for the month = R270 590.80									

Deviations recorded for the month: August 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
25/08/2010	Demand Data	U	1018722	4421014030002	Sole supplier for target	The device currently in use to facilitate our daily Novell backups which has failed and the unit needs to be replace as a matter of urgency, and the quotations were sourced from vendors	R 140,869.55	MM	Corporate Services
Total for the month = R140 869.55									

Deviations recorded for the month: September 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
01/03/2010	Garujo Trading Enterprise	E	1020894	4421014030002	Sole supplier for target	Maintenance of Damage steel Structures and Two Sliding Gates at Sebokeng Plaza Taxi Rank as a matter of urgency, and the quotations were sourced from vendors	R 79,800.00	MM	Corporate Services
Total for the month = R79 800.00									

Deviations recorded for the month: October 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
27/10/2010	OXY Trading 541	U	1021099	4404031101200	Sole Supplier for target	Block drains and stolen lids at taxido taxi rank, the matter was becoming a health hazard	R189 400.00	MM	Corporate Services
27/10/2010	Morietez Trading	U	1021100	4404031101200	Sole Supplier for target	Supply of mobile toilets at Vereeniging Metre Taxi Rank	R 98,200.00	MM	Corporate Services
27/10/2010	Tambo electrical Air-conditioning and Refrigeration	U	1021092	4404031101200	Sole Supplier for target	Repairs and upgrade of electrical Supply at Vaal Technorama, it was the matter of urgency	R 64,526.28	MM	Corporate Services
28/10/2010	Lacs Security and Cleaning Service CC	U	10211104	4405021060204	Sole Supplier for target	Only one quote was obtained and because of the urgent of the matter an instruction was given for the Service provider to resume with the required cleaning	R170 088.00	MM	Corporate Services
Total for the month = R522 214.28									

Deviations recorded for the month: November 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
01/11/2010	Vaal Juvenile Troops	U	1021113	4101011060402	Sole Supplier for target	The Service provider which was suppose to provide water indicated on the day of the event that he won't be able to deliver the water, the quotation was received from SCM the supplier that was catering on the day of the events was then requested to supply with 1000 water.	R 5,000.00	MM	Office of the Mayor
Total for the month = R5000.00									

Deviations recorded for the month: December 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
10/12/2010	Elite Tente Verhuuring	U	1021099	4404031101200	Sole Supplier for target	One quotation received from the Supplier due to urgency, No other supplier provide quotation due time limitations	R58 014.60	MM	IGR
08/12/2010	Kemi Courier Service	U	1021180	4404031101200	Sole Supplier for target	Appointment of the above service provider to remove old structure and replace the roof structure with new designed steel structure	R184 326.00	MM	Corporate Services
26/12/2010	Elite Tente Verhuuring	U	1021270	4101011060210	3 quotations were obtained from the database	Preferred the cheapest supplier quotation exceed R30000.00 which will have be placed on a seven day notice, but due to the urgency the fact that event is on the 02/11/2010	R37 084.20	MM	Office of the Mayor
22/12/2010	Dynasty Transport & Tours cc	U	1021448	4805011061701	Time did not allow to seek more quotations due to the urgency	Attending funeral of EMS employee who passed away	R18,500	MM	Emergency Services
Total for the month = R297 924.80									

Deviations recorded for the month: January 2011

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
06/01/2011	Clear Greek Trading 65 (PTY) LTD	U	1021459	4404031101200	2 quotes were sourced and the lowest one was used	Maintenance work at Sebokeng Plaza Taxi Rank, it was necessitated by heavy rainfall and water increase which affected the drainage capacity of the sewer pipe. The situation was causing a hazard to commuters.	R 106,300.00	COO	Corporate Services
11/01/2010	Mophalanyana Motlatla Trading Enterprise CC	U	1021478	9002022371002	Lowest quote of the three received	Two quotes were sourced from the panel and Mophalanyana Motlatla Trading (who is not in the panel) was the lowest of the three quotes received for the Nangalembe Event.	R 80,000.00	COO	Office of the Executive Mayor
28/01/2011	Bonthjafatso Construction CC	U	1021572	440403110200	Lowest quote of the two received	Due to the high rain fall over the past couple of weeks, the grass at the Vereeniging Fresh Produce Market has grown immensely and it has resulted in snakes and rats hiding within, in turn poses a risk hazard for the people.	R 93,650.00	CFO	Corporate Services
28/01/2011	Big Parn Trading Enterprise	U	1021586	4404031101200	Lowest quote of the two received	Due to the high rain fall over the past couple of weeks, the grass at the Vereeniging Fresh Produce Market has grown immensely and it has resulted in snakes and rats hiding within, in turn poses a risk hazard for the people.	R 96,000.00	CFO	Corporate Services
28/01/2011	Picrovision	U	1021571	4404031101200	Lowest quote of the two received	Due to the high rain fall over the past couple of weeks, the grass at the Vereeniging Fresh Produce Market has grown immensely and it has resulted in snakes and rats hiding within, in turn poses a risk hazard for the people.	R 105,000.00	CFO	Corporate Services

Deviations recorded for the month: January 2011 - continued...

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
07/01/2011	Vaal Toyota	U	1021469	4404021101204	Only supplier on database who is accredited to work on Toyota's	Sole supplier.	R19,980.76	MM	Corporate Services
Total for the month = R500,930.76									

Deviations recorded for the month: February 2011

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
07/02/2011	Multilinue Translation	U	1021640	4701041060209	Only one quote received from the Institute of translations	Translation (Specialised Service) of 90 Day Notice. Only sworn translator in Gauteng.	R 837.22	MM	SPED
15/02/2011	Opti Plumbers CC T/A Drain Surgeon	E	1021695	4404031101200	Time does not allow to follow 7 day notice SCM process	The main sewage line at the north entrance to the main building has burst and needs to be replaced	R 31,443.88	MM	Corporate Services
17/02/2011	Inhlakanipo Trading and Projects	E	1021700	4404031101200	Time does not allow to follow 7 day notice SCM process	The roof of Mayor's parlour and rates hall has serious leaks and excessive rain does not allow for tender process	R 174,494.10	MM	Corporate Services
Total for the month = R206,775.20									

Deviations recorded for the month: March 2011

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
07//02/2011	Imraans Take away	U	1021897	420211060403	Only one quotation received, because it was urgent request	The Disciplinary Hearing continuation on 16 March 2011	R 360.00	COO	Office of the Municipal Manager
15/02/2011	Nandos	U	1021892	4202011060403	Only one quotation received, because it was urgent request	Urgent Disciplinary Meeting	R 266.40	MM	Corporate Services
17/02/2011	08 Djhene Trading	U	1021894	4404031101200	Only one quotation received, because it was urgent request	Urgent plumbing services required	R 230.00 p/h totalling to R16,110.00	MM	Office of the Municipal Manager

Deviations recorded for the month: March 2011 - continued...

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
	Nandos	U	1021893	44101011060403	Only one quotation received, because it was urgent request	Lunch for Executive Mayor Meeting with Stakeholders	R 846.30	MM	Office of the Executive Mayor
	BCX	U	1021939	4421011101201	Only one quotation received, because it was urgent request	Emergency repairs of main link hanger and to Emfuleni Main	R 20,844.90	MM	Corporate Services
	JLE Project	U	1021988	4405211060204	Only one quotation received, because it was urgent request	Requested the service provider Mess JLE Projects to undertake the project and assist with the removal of garbage and cleaning of the area concerned	R 19,500.00	MM	Corporate Services
Total for the month = R42,047.60									

Deviations recorded for the month: January 2010

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
11/04/2011	VPN Technologies CC	U	1022034	442101430005	2 quotes were sourced and the lowest one was used	Only two vendors on database capable of complete installation and alignment	R 30 681.96	MM	Corporate Services
16/04/2011	Blaque Cherry Gifts & Stationery Supplies CC	U	1022087	4101011060210	One quote received from supplier on our database, because it was request urgent.	Gifts (Watches) requires for End Term function for Mayor, Speaker, Chief whip, MM, COO, ED's and special guests.	R 8, 447.60	MM	Office of the Mayor
15/04/2011	Vaal University of Technology	U	1022096	4101011060210	Sole provider for targeted area	Procurement for live reads and two interviews for SODA 2011	R 6,612.00	MM	Office of the Mayor
15/04/2011	Theta FM 100.6	U	1022095	4101011060210	Sole provider for targeted area	Procurement for live reads for SODA	R 20, 460.00	MM	Office of the Mayor
20/04/2011	Ellen G CC	U	1022115	41011060210	Quotes requested via Supply Chain, only one quote received, no response from other suppliers	Wristband required for SODA 2011 (790)	R 2, 431.62	MM	Office of the Mayor

Deviations recorded for the month: April 2011 - continued...

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
20/04/2011	Zemdock	U	1022125	4101011060210	2 quotes were sourced and the lowest one was used.	Golf T-shirt for general workers of Theatre for SODA	R 2,462.40	MM	Office of Executive Mayor
Total for the month = R71, 095.58									

Deviations recorded for the month: May 2011

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
05/05/2011	Imperial Group/ Vaal Ridge Auto	U	1022179	4404021101204	Sole Supplier	Replacement of a tyre for the BMW 325i located at the office of the Speaker	R 5 223.25	CFO	Corporate Services
10/05/2011	Blaque Cherrie	U	1022245	4101011061801	Sole Supplier	Watch required as a gift for Mr. Neville Felix former MMC at end of term function held on 10 May 2011	R446.34	MM	Office of the Executive Mayor
24/05/2011	Big Parn Trading Enterprise	U	1022252	440511060204	Three quotes were sourced by user department	Cutting of grass at Vereeniging Airport for an area of 110 hectares	R185 000.00	MM	Corporate Services
	Markplan Construction and Projects 92CC								
24/05/2011	Belton Park Trading 39 CC	U	1022250	4405011060204	Three quotes were sourced through supply chain	Electrical upgrading and re-calibration of runway lights at Vereeniging Airport	R920/h estimate	MM	Corporate Services
25/05/2011	Vereeniging New Printers	U	1022254	4504021061800	The request was done through Intenda, but the price quote exceeds the allowable R40 000.00	LSC forms	R44 477.10	MM	Corporate Services
26/05/2011	Unicool Air-conditioning Services	U	1022301	4421014030005	Sole Supplier	Additional air conditioning unit due to current one continuously breaking down	R23 921.76	MM	Corporate Services
Total for the month = R447 588.45									

Deviations recorded for the month: June 2011

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
14/06/2011	Little Creek Trading 549 CC	U	1022417	4101011060210	Three quotes requested.	Food packs for Sicelo Satellite Venue for Inauguration	R 78 260.00	MM	Office of the Mayor
14/06/2011	Amtronics T/A Diamond Corner	U	1022456	4404014030001	Time Constraints and severe weather.	18 Patio Gas heaters for Inauguration Address	R43 200.00	CFO	Supply Chain Management
14/06/2011	Mpempe Transport	U	1022474	4101011060210	One quote was received due to time constraint	Buses for Inauguration , Satellite venue in Sebokeng	R17 350.00	MM	Office of the Mayor
20/06/2011	Meriting Catering	U	1022479	4101011060210	Three quotes received and the user department requested to utilize Meriting	Catering for Boipatong Massacre.	R67 543.60	MM	Office of the Mayor
15/06/2011	Tsohang Basadi Catering	U	1022467	4401011060403	Due to deadline for SDBIP for the new financial year which will be presented at Strategic session.	Catering for Corporate Service Strategic Session	R950.00	MM	Corporate Services
06/06/2011	Emaline Enterprise 2CCT/A Meriting Food Service	U	1022522	4101011060210	End-user department sourced own quote as request was received late and the service provider was contacted as they are reliable to deliver accordingly.	Request for Catering for Mayors office guests from Qwa-Qwa who were attending the Inauguration.	R3 600.00	MM	Office of the Mayor
21/06/2011	Amtronics T/A Diamond Corner	U	1022528	4421014030002	Professional quality microphones to facilitate the voice broadcast sourced from Diamond Corner.	Professional Microphones needed during the preparations for the dry run on the Mayoral Inauguration	R7 500.00	MM	Office of the Mayor
Mar 2010 to Nov 2010	Maine Construction and Projects	U		4404011060204	Cleaning of Taxi Ranks – contract extended in order to finalise tender processes	Taxi ranks need to be kept clean due to potential health hazard.	R836,940.00	MM	Corporate Services

Deviations recorded for the month: June 2011 - continued...

Date of deviation	Name of supplier used	Type	Order No.	Vote Number	Procurement action taken	Reason for deviation	Amount	Approved by	Department
1 Mar 2010 to 1 Mar 2011	ADD X Trading	U		4404031060204	Contract was amended to include the fumigation of Licensing offices	Potential health hazard and loss of records due to insect and rodent infestation	R82,638.45	MM	Corporate Services
1 Oct 2010 to 3 Nov 2011	Timba Consulting	U		4201011060204	Contract was extended in order to get the Organisation Performance Management Report for 4 quarters completed	Finalisation of Performance Management System	R 695,768.00	MM	Corporate Services
Total for the month = 1,837,008.17									

Abbreviations:

COO	Chief Operations Officer
CFO	Chief Financial Officer
MM	Municipal Manager
E	Emergency
U	Urgent

4.3

Auditor's report of the Auditor-General to the Gauteng Provincial Legislature and the Council on the Sedibeng District Municipality



AUDITOR - GENERAL
SOUTH AFRICA

Mr. Yunus Chamda
Municipal Manager
Sedibeng District Municipality P.O Box 471
Vereeniging
1930

30 November 2011 Dear Mr Chamda

Reference: TS98 19611

Dear Mr Chamda

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Sedibeng District Municipality for the year ended 30 June 2011

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms off section 121(3) of the MFMA; you are required to include the audit report in the municipal entity's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA municipal entity the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:

Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format if needed.

Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

Please submit 5 copies of the annual report to the AGSA (Attention Ockie Ludick) at 61 Central Street, Houghton.

The tabled report must be submitted to MPAC.

Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



.....
Senior Manger: Gauteng

Enquiries: Ockie Ludick
Telephone: (011) 703 7638
Fax: (011) 703 7690



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

The reputation promise of the Auditor-General

"The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence."

The mission statement informs the content of the Public Audit Manual (PAM) by recognising that the audits conducted by the SAI of South Africa are unique due to its mandate. This mandate includes responsibilities in terms of laws or regulations that go beyond generally accepted practice of the auditor's responsibilities in the audit of the financial statements.

These responsibilities include: consideration of issues such as public interest; accountability; probity; effective legislative oversight, in particular as concerns compliance with law, regulation or other authority; performance against pre-determined objectives; and economic, efficient, and effective procurement of resources.

The ultimate goal of the audits is to strengthen the South African democracy

Auditing to build public confidence



AUDITOR - GENERAL
SOUTH AFRICA

**Auditor's report of the Auditor-General to
the Gauteng Provincial Legislature on the
Sedibeng District Municipality for the year
Ended 30 June 2011y**

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE SEDIBENG DISTRICT MUNICIPALITY**REPORT ON THE FINANCIAL STATEMENTS****Introduction**

1. I have audited the accompanying financial statements of the Sedibeng District Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages ... to

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA), and for such internal control as management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996, section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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.
5. 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 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality as at 30 June 2011, 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.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:
Restatement of corresponding figures

9. As disclosed in note to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during the year ended 30 June 2011.

Unauthorised expenditure

10. The municipality incurred unauthorised expenditure of R88 631 829 as a result of exceeding the budgeted amounts in employee costs and grant expenditure.

Fruitless and wasteful expenditure

11. The municipality incurred fruitless and wasteful expenditure of R140 000 because an event that was organised was not attended by the delegates.

Going concern

12. Note 34 to the financial statements indicate that the Sedibeng District Municipality incurred a net loss of R118 084 260 during the year ended 30 June 2011 and, as of that date, the entity's current liabilities exceeded its current assets by R62 276 267. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matter

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

Unaudited supplementary schedules

14. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality:

Report on predetermined objectives

Presentation of information

16. The reported performance information was deficient in respect of the following criteria:
- Performance against predetermined objectives was not reported using the National Treasury guidelines
17. The following audit finding relate to the above criteria:

No reporting against predetermined objectives, indicators and targets

- The annual performance report for the financial year under review was not prepared as required by section 46 of the MSA read with section 121(3)(c) of the MFMA, as there is no specific target, baseline and actual performance columns.

Usefulness of information

18. The reported performance information was deficient in respect of the following criteria:
- **Measurability:** The indicators are not well defined, and targets are not specific, and/or measurable.
 - **Consistency :** The reported objectives, indicators and targets are not consistent with the approved integrated development plan

19. The following audit findings relate to the above criteria:

Planned and reported targets are not well defined

- **Well defined:** For the selected programmes/objectives, 40% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

Planned and reported targets are not specific and measurable

- **Specific:** For the selected programmes/objectives, 43% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance.
- **Measurable:** For the selected programmes/objectives, 35% of the planned and reported targets were not measurable in identifying the required performance.

Reliability of information

20. The reported performance information was deficient in respect of the following criteria:

- **Validity:** The reported performance did not occur and does not pertain to the entity.
- **Accuracy:** The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- **Completeness:** All actual results and events that should have been recorded have not been included in the reported performance information.

21. The following audit findings relate to the above criteria:

The validity, accuracy and completeness of reported performance against objectives could not be confirmed as no supporting source information was provided

- For selected objectives, the validity, accuracy and completeness of the reported targets could not be established as sufficient appropriate evidence could not be provided.

Compliance with laws and regulations

Annual financial statements, performance and annual reports

22. The financial statements submitted by the municipality for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment, liabilities, expenditure and various disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Goods and services of a transaction value above R200 000 were procured by the municipality without inviting competitive bids as per the requirements of SCM regulations 19(a) and 36(1).
24. Goods and services of a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17 (a) & (c).
25. Awards were made by the municipality to providers who are persons in service of the municipality in contravention of SCM regulation 44. Furthermore, the providers failed to declare

that they are in the service of the municipality as required by SCM regulation 13(c).

26. Awards were made by the municipality to providers who are persons in service of other state institutions in contravention of SCM regulation 44. Furthermore, the providers failed to declare that they are in the service of the municipality as required by SCM regulation 13(c).

INTERNAL CONTROL

27. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

28. Exercising of oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not done.

Financial and performance management

29. No regular review and monitoring were done of compliance with applicable laws and regulations.
30. No proper implementation of controls over daily and monthly processing of transactions and reconciling of transactions.

Governance

31. The implementation of appropriate risk management activities to ensure that regular risk assessments, including consideration of Information Technology (IT) risks and fraud prevention, were not conducted and that a risk strategy to address the risks was not developed and monitored.

Auditor General

30 November 2011



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

4.4

Action Plan for Auditor-General's report on the regularity audit and audit of performance information performed at Sedibeng District Municipality for the year ended 30 June 2011.

Summary of Audit Findings

No.	Finding	Responsible Cluster and Department	Action	Target Date	Progress to Date
Restatement of corresponding figures					
9	As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 were restated as a result of errors discovered during the 2010-2011 financial year	Finance	Adjustments were made to Financial Statements	Nov 2011	Completed
Unauthorised expenditure					
10	As disclosed in note 36 to the financial statements, the municipality incurred unauthorised expenditure of R 88,631,829 as a result of exceeding the budget amounts in employee cost and grant expenditure	Finance	A report was submitted to council in order to obtain approval for over expenditure and budget methodology changed in the 2011-2012 adjustment budget process	Sep 2011	Completed
Fruitless and wasteful expenditure					
11	As disclosed in note 36 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R 140,000 because of an event that was organised which was not attended by the delegates	Finance	The matter was resolved whereby council was informed about the matter and administrative steps taken in order to limit the fruitless expense and signed of by the Municipal Manager	Jun 2011	Completed
Going concern					
12	Note 34 to the financial statements indicate that the Sedibeng District Municipality incurred a net loss of R118,084,260 during the year ended 30 June 2011 and, as of that date, the entity's current liabilities exceeds its current assets by R 62,276,267. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern	Finance	The Municipality has implemented cost containment measures in order to rectify the current state of affairs. Moratorium of vacancies were put in place and operational cost cut down to only essential items	Ongoing	Ongoing