



**XHARIEP DISTRICT MUNICIPALTY**

**ANNUAL REPORT 2008 /2009**

## KEY FACTS

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### **Population**

135 245

### **Number of Households**

42233

### **Land Area**

34 289km

### **Population Density**

4 people /km<sup>2</sup>

*Source: Community Survey 2007*

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## FOREWORD BY THE EXECUTIVE MAYOR

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It is a great pleasure to present the Council's Annual report for the year 2008/09 financial year. This Annual report sets out what we achieved in the past year, Compared to what we said we will do.

Every year we as the Council must measure our performance. To be successful, we must ensure our promises are delivered, our goals met and our responsibilities fulfilled. During our Budget and IDP consultation engagement our Communities in a form of Stakeholders told us clearly that they want quality programs and service delivery.

During the 2008/09 financial year, the community, the council and the management of Xhariep District Municipality have together with various partners and Government Departments and both National and Provincial spheres, worked tirelessly to ensure that the lives of the communities in this region is impacted for the better.

We as the Xhariep District Municipality are proud of what has been achieved so far with the limited resources at our disposal and we are confident that, with the assistance that we are receiving from the Provincial and National Government and our own hard work we will succeed providing support to our Local Municipalities in pushing back the frontiers of poverty in our District.

### **FINALISATION OF THE ORGANOGRAM**

In line with the vision, mission and objectives, the council approved a reviewed organizational structure, the top Management in particular, and recruited 90% of the vacant posts.

### **POVERTY RELIEF**

A number of programmes implemented continue to impact in relieving various communities of distress due to poverty and unemployment.

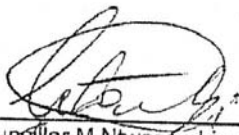
- Provision of School shoes to learners to bring relief to the poor,
- Provision of Bicycles to learners in remote areas,

Many households in our district continue to experience a number of undesirable circumstances, including the soaring levels of poverty, unemployment, frequent disasters leaving people stranded and feeling desolate. With such in mind the municipality will join hands with other partners and government departments to facilitate and ensure the establishment of the following, amongst others:-

- Integrated Disaster Centre which will be activated at one point linking all the satellite centres.

I would like to thank those who made the period under review to be exciting and a positive experience. Sincerest thank the Speaker, Chief whip, Councillors, Political Parties, District Manager and his Management team and staff of Xhariep District Municipality.

Yours in Government



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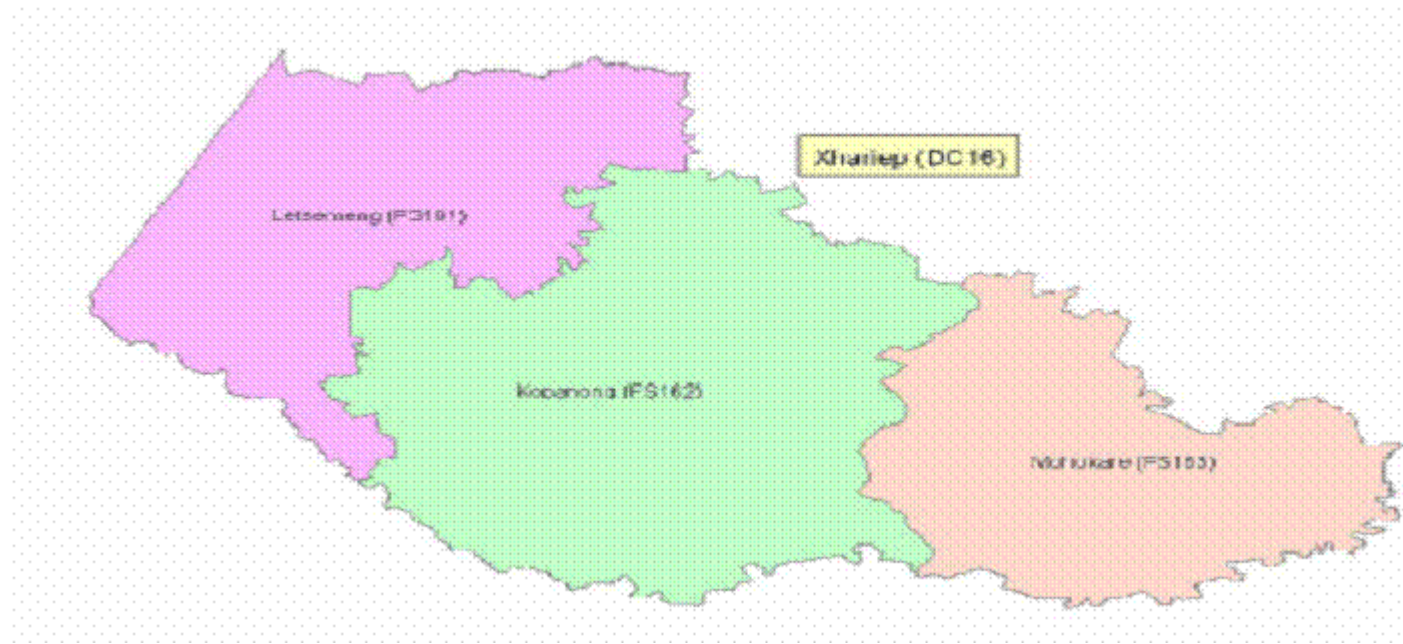
Councillor M Ntwarambi  
Executive Mayor

Thank You!

## 1. INTRODUCTION AND AN OVERVIEW OF THE MUNICIPALITY

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### 1.1 Introduction



Xhariep District Municipality (XDM) was established on 6 December 2001 as a result of section 21 of the Local Government Municipal Demarcation Act, 1998 (Act 27 of 1998) whereby all the areas of the former local government bodies were re-demarcated and new municipal entities established. The municipality is made up of three local municipalities namely *Mobokare*, *Letsemeng* and *Kopanong* within its area of jurisdiction:

*Table 1: Demarcation: Xhariep Region*

	MUNICIPALITY	MAJOR SETTLEMENTS/ TOWNS
<b>FS161</b>	<b>LETSEMENG</b>	Luckhoff, Oppermansgronde, Koffiefontein, Jacobsdal, Petrusburg
<b>FS162</b>	<b>KOPANONG</b>	Trompsburg, Edenburg, Reddersburg, Gariepdam,

		Bethukie, Springfontein, Fauresmith, Phillipolis and Jagersfontein
<b>FS163</b>	<b>MOHOKARE</b>	Zastron, Rouxville and Smithfield

The district has 14 councillors of which 6 are directly elected on a proportional basis and 8 are representing local municipalities;

According to the recent Municipal Demarcation Board (MDB) assessment of capacity report for 2008/2009 the district is only discharging 3 (19%) out of 16 assigned district powers and functions. These are:

- Municipal planning
- Local Tourism; and
- Cemeteries, funeral parlours and crematoria – XDM is discharging an inspection function;
- Monitoring<sup>1</sup> of refuse and waste disposal sites, for which it has one available staff member seconded by the provincial department of tourism, environmental and economic affairs.

Xhariep's population has contracted by nearly 1% per year between 2001 and 2007 (based on Census and Community Survey results). Xhariep's population is small and declining population (currently 5% of provincial total), and is sparsely distributed over large area. Letsemeng and Kopanong's population is in steep decline, contracting at nearly 3% and 2% per respectively, while Mohokare's population is stable. Average household sizes have declined from over 3.9 in 1996 to 3.4 in 2007.

The overall decline in younger persons implies a decline in the proportion of school going age population in the province, especially at the primary schooling phase with negative implications for spending on education by the provincial government. Lower learner numbers have resulted in the closure of many schools and learners being transported to other schools. Also, educators have to be redeployed to other schools.

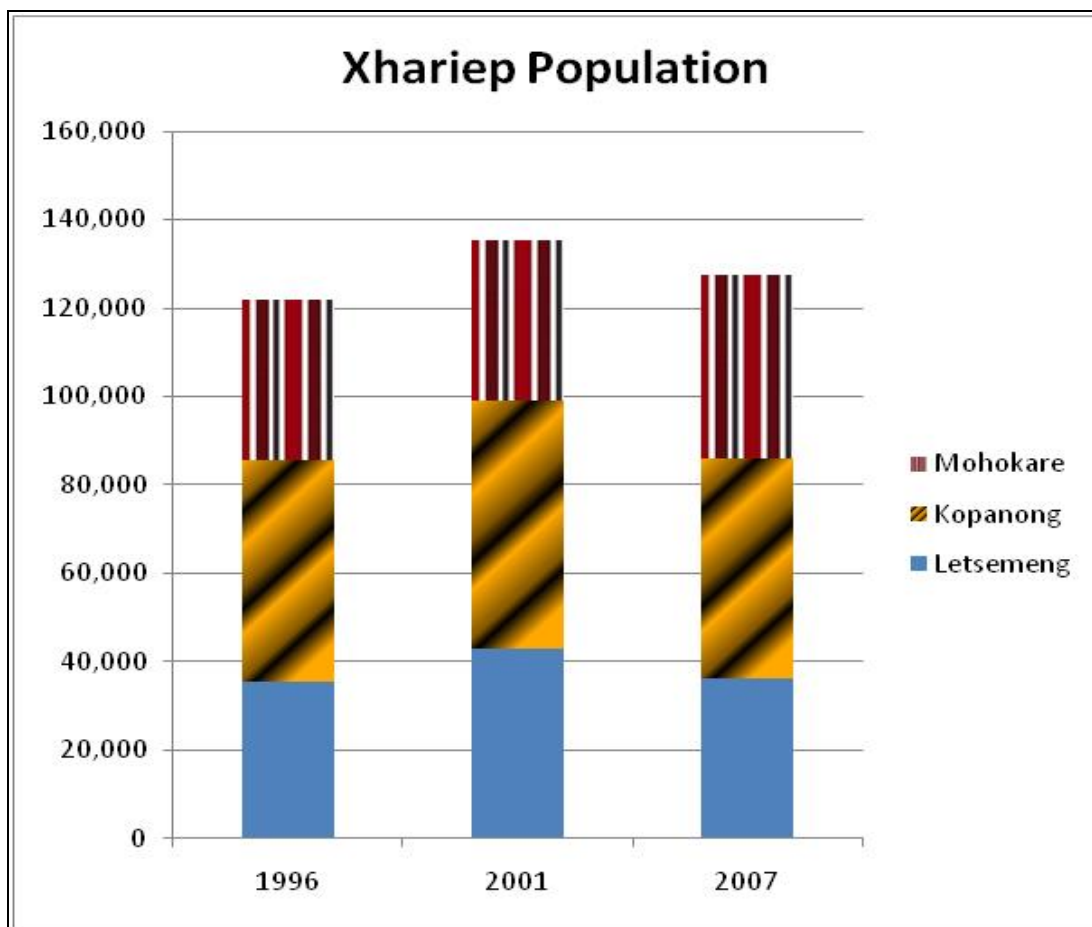
The larger proportion of elderly relative to provincial and national averages is a possible indication of people's preference to retire in the District with implications to public health infrastructure and services, welfare and social grants. The district is urbanising, with town populations remaining stable while the rural population is in decline. The total District population living in towns has increased from 66% to 75% between 1996 – 2007.



Most of the towns are either stable or growing slowly. Population growth and contraction are divergent across settlements, but out of 16 settlements, 12 grew and 4 contracted since 2001. Jacobsdal (Letsemeng) has shown the most dramatic growth - at nearly 50% - whereas Zastron (Mohokare) contracted by 18%.

The district's overall urbanisation rate has grown from 67% in 1996 to nearly 75% in Xhariep. Kopanong is the most urbanised (82%) and Mohokare the least (60%). Data available between 1996 and 2001 suggest that the number of persons migrating to the district grew sharply from less than 500 in 1996 to over 5,000. Even allowing for anomalies in data capturing, this trend cannot be discounted. The level of in-migration of Mohokare was – in both relative and absolute terms – greatest.

*Table 2: Xhariep Population*



## 1.2. Executive Summary

*This Annual report has been compiled in accordance with the National Treasury Guidelines, which require that the performance of a municipality be reported in functional areas.*

This section will be providing an overview on how the municipality has performed during the year under review (2008/2009) in terms of managing financing and discharging its assigned district functions such as regional economic development, planning and co-ordination of Youth programmes.

### **1.3 An overview of financial performance**

Revenue sourced from grants and subsidies, as well as other income (interest on investment and rental as at end June 2009 amounted to R18, 061,753 against the projected expenditure of R15, 117,441. Although there is a sign of improvement from the previous years, the District is still faced with the challenge of a limited revenue source that encumbers Xhariep District Municipality in discharging its assignment district powers and functions and growing requisite capacity to rise to the challenge.

The municipality did not have any capital projects for the year under-review given its limited RSC replacement grant and the fact that since the advent of the Municipal Infrastructure Grant (MIG) in 2004, transfers for development of infrastructure are transferred directly to local municipality than through District municipality as it was a norm in the past.

### **1.4 An overview of performance in related to regional and economic development**

District Municipalities are pivotal in promoting economic growth in the area that they are responsible for: Economic Development is identified as one of the key development priorities for the district municipality in terms of its Integrated Development Plan (IDP). The Local Economic Development Department is responsible for the following functions:

- ❖ Tourism marketing ,Development and Management
- ❖ Municipal Entities (Development Agencies)
- ❖ Agricultural Development
- ❖ Environmental Management
- ❖ SMME/BBEE
- ❖ Capacity Building and Support

Together with a variety of state agencies and other spheres of government, for the year under review the municipality facilitated a number of local economic development projects that created 218 jobs and facilitated the training of 148 community members. This is consistent with the role assigned to the district of co-coordinating regional development and supporting initiatives geared towards growing local economies SEDA offices are now functioning and they primarily assist with creation, development and support of SMMEs.

### ***1.5 An overview of performance in relation to Youth Development and Environmental Health Services***

The district does not fulfill its mandated function of having an Environmental Health as required by law.

#### **STATE OF YOUTH DEVELOPMENT PROGRAMMES AND SERVICES IN THE XHARIEP DISTRICT MUNICIPALITY: 2008 / 9 FINANCIAL YEAR**

The Youth Development Unit is an institution supporting the Xhariep District Municipality to provide basic services targeting young women and men. It was established in terms of the Free State Youth Commission Act (Act No 1 of 2001) and its role is to ensure proper integration and coordination of youth development programmes / services in the Integrated Development Plan.

Our approach to youth development is to treat a young person as a whole person and not as a series of separate (separable) problems and needs. When programmes and services combine different elements in a holistic way to respond to their inter-connected needs and aspirations of young people; this is called integrated youth development. The following services and programmes were implemented by and/or in the Xhariep District Municipality during this year under review, namely;

##### **a. Youth Development Programmes**

The Youth Development Unit is implementing the Unemployed Youth Database as an initiative that seeks to link unemployed graduates and young jobseekers in general with existing opportunities for training and development as well as other schemes and institutions that would help them either to start their own business; acquire skills or get a job. The municipality must be a reservoir of information and the first point of contact with regard to information about its population. Thus Youth Development Unit is playing a role of providing and feeding all programmes aimed at empowering youth with beneficiaries / participants. The following important programmes have been implemented in the region this financial year 2008 -2009, namely:

##### **b. THETA Graduate Development Programme**

Though this programme was lead by the Human Resource Division of the municipality, the Youth Development Unit has played a pivotal role with regard to recruitment of beneficiaries through its unemployed youth database. The aim of this internship programme was to provide practical knowledge and work experience for the learners in various fields including Finance, Human Resource, Information Technology, Marketing and local economic development for a period of one (1) year starting from September 2008 – 2009. Though the programme has its own challenges especially at local municipality level, it is our view that in future such challenges will be eliminated.

**c. Free State Training and Development Institute Learnership Programme**

The Department of Premier is implementing the Learnership programmes in identified priority areas as part of their contribution to the Free State Growth and Development Strategy. The Youth Development Unit has been working closely with their regional office around recruitment of participants / beneficiaries tapping from its unemployed youth database. This programme is on its second year and the first group of learners has graduated in May 2009. The learnership programme is focusing on Women and Youth (Housing), Bio-Fuel, Motor Mechanics, and so on. Important to report is that the Youth Development Unit has been very instrumental in addressing and solving some challenges faced by learners in this programme.

**d. National Youth Service Programme**

The National Youth Service is a government programme aimed at involving young people in service to acquire skills, building the sense of nation building and enabling access to economic opportunities upon completion. The key objectives of the NYS is to inculcate a culture of service in young people, skills development of the youth and community development through the services rendered. The Xhariep District Municipality working together with the Free State Youth Commission and other partners has been implementing the following programmes, namely;

**e. NYS on Water and Sanitation in Letsemeng Local Municipality**

The Letsemeng Local Municipality is implementing the National Youth Service on Water and Sanitation in partnership with the Department of Water Affairs and Forestry. The programme aimed a equipping young women and men with the skills requisite to be able to deal with problems relating to water and sanitation in their communities. The programme has absorbed a maximum of seventy five (75) participants / beneficiaries scattered all over the Letsemeng Local Municipality.

**f. NYS on Voter Registration and Education**

This was a short term programme implemented in partnership with the Independent Electoral Commission. Its aim was to assist the IEC to provide quality voter education and enable participants to access sustainable livelihood upon completion. Through this programme a maximum of 50 young people

and 2 team leaders have been recruited for a period three (3) months after the general elections in 22 April 2009. It must also be reported that their stipend were paid by the National Youth Service Unit

**g. NYS Proud to Serve Campaign in Reddersburg and Edenburg**

This is an annual volunteer campaign that marks the year round contributions by the young women and men in their communities through voluntary services. It is also a short term programme aim at focusing the country's attention on the valuable skills and ideas that the youth have for the development of their communities.

In this regard, 1000 volunteers were recruited to paint and revamp the Early Childhood Development Centres in Reddersburg and Edenburg respectively. It must be noted that this is mainly about volunteerism, about giving up time for free to do something for somebody else. The NYSU will only provide catering for volunteers, T-Shirts and transport where needed.

Important to noted is that the role of municipalities in the National Youth Service programmes is limited to identifying sites and recruiting participants / beneficiaries.

Further to highlight is that the Department of Social Development was a dependable partner in this programme that was officially launched in Reddersburg during the occasion of child protection week.

**h. Youth Economic Participation Projects/ Initiatives**

The Youth Advisory Centre Point is implemented in partnership with the Xhariep District Municipality and the Umsobomvu Youth Fund. The YAC programme is part of the local economic development initiatives as laid down in the Accelerated Shared Growth Initiative of South Africa document.

The YAC aimed at providing information and counseling services on career development and life skills, entrepreneurship and business support, national youth service and skills training opportunities to young people.

The Xhariep District Municipality has been experiencing challenges on non cooperation with its local municipalities regarding office space and getting necessary equipments for the effective functioning of these centres. The Xhariep District Municipality is committed to pursue this programme further despite the challenges highlighted above. In engaging with the newly established National Youth Development Agency to further invest in these initiative the following options must be explored, namely;

- a) That the Xhariep District Municipality integrate Youth Advisory Centre as part of its Youth Development Unit and continue to engage the National Youth Fund around further resourcing the initiative to respond to challenges of unemployment and poverty in the region

and sign memorandum of understanding with local municipalities around necessary contributions thereof, or

- b) That the agency is engaged by the district to solicit direct contracts for its local municipalities to implement this programme and the YAC personnel be transferred to their respective locals.

**i. Challenges facing Youth Development in the Municipality (Capacity, Financial, Technical, etc)**

The current institutional arrangement in the municipality is inadequate, the Youth Development Unit does not have capacity to even conduct research on the status of youth and/or influence policy direction of the municipality. The Youth Development Unit is made up of one official who is expected to provide project management support and strategic leadership to the aforementioned programmes.

It must be reported that there is no budget vote for Youth Development, however youth development programmes and services are by-the-way covered unconsciously. Important to report is that the Umsobomvu Youth Fund grant for the Youth Advisory Centre Point can play a major role to respond to many activities of youth. Thus, it is important that engagements with the agency be pursued as a matter of urgency.

Furthermore, the municipality must use the technical assistance available at the National Youth Service Unit to convert some of its services into the national youth service programmes to enhance the employability of young women and men in the region.

**j. Way-Forward**

The enactment of the National Youth Development Agency Act (Act 54 of 2008) will go a long way in building the capacity of youth development institutions to pursuing policy and implementation. Further, the repeal of the Free State Youth Commission Amendment Act will provide the way forward as to how the structure will operate at provincial and local government level.

**1.6 Challenges facing the municipality**

As indicated the primary challenges facing the municipality is its limited revenue base that limit the municipality in discharging the majority of its assigned district powers and functions and thus constrict its institutional development

The telling account of the mentioned financial constraints is borne out by the fact that for the past three years the XDM has passed municipal budgets with deficits – *06/07; 07/08; 08/09*. Specifically, the deficit of 07/08 financial year was R7.2 million

## CHAPTER 2: PERFORMANCE HIGHLIGHTS

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### *2.1. Service Delivery*

**Completion of the new sewage treatment works:** This project started in 2003 and was not completed. Various new developments are depended on the successful completion of the sewage treatment works. E.g. The building of the Provincial Hospital that has been put on hold due to limited sewage handling capacity.

An application for funding to the Provincial departments and financial institutions such as DBSA has been made (2.5 million). A report on identified high impact projects was compiled and is being submitted to the Office of the Premier for possible funding so as to amongst others, create jobs within the district.

### *2.2. Local Economic Development*

Key Municipal Objective: To facilitate regional economic development and support local economic development initiative by local municipalities

Results: Created 172 jobs and facilitated the training of 175 community members. Development and adoption of LED strategies by Xhariep District Municipality and its local municipalities. Fostered a partnership with *dti* in implementing Project Khulis'umnotho (“*growing the economy*”)

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According to section 52 of the Constitution of the Republic of South Africa (1998) outlines objects of local government, municipalities are mandated to promote Local economic development within their areas of jurisdiction. In carrying out this developmental local government’s mandate Xhariep District Municipality has developed local economic development

strategy whose key priorities and related projects were expressed in its adopted District IDP framework for `08/09 financial year.

As indicated, Xhariep District Growth and Development Summit was held on 16 & 17 May 2007 in partnership with Free State Department of Local Government and Housing and the

Department of Provincial and Local Government (*dplg*). The resolutions emanating from the mentioned summit was used in refining the key priorities and project on LED as encapsulated in the IDP for 2008/09. These projects were as follows:

- Working with partners in establishing local business service centres to provide *management, business training, counselling, research and other forms of critical support to SMMEs*;
- Create a platform to disseminate information through “One – Stop Government Information Centres” – *on licensing, tendering, rates, permits, zoning and building approvals*;
- Reforming the tender processes;
- Tourism development and marketing strategy;
- Enhancing tourism product development;
- Leveraging tourism funds for local communities;
- Initiating a vocational scholarship programme to encourage work-based training and education;
- Establishing a neighbourhood-specific training and job counselling programme for low income workers;

In relation to these priorities, the district municipality in partnership with government department and development agencies have implemented these projects

*Table3: LED projects implemented in the district*

<b>Name of Project</b>	<b>Number of people Employment</b>	<b>Number of people Trained</b>	<b>Funders of the Project</b>	<b>Area where the Project took place</b>
Xhariep Complex	140	40	The Project was funded by DEAT	Trompsburg
Tourism Information offices	16	16	The Project was funded by DEAT	Bethulie
Tourism Signage's	6	6	The project was funded by DEAT	Gariiep Dam, Bethulie and Oviston
Dairy Farming	10	10	The project was funded by NDA	Rouxville
Training Programmes			PROVIDED BY	



Tourism Opportunities		27	DTEEA	Trompsburg
Cooperatives Training		13	DTEEA	
Customer Care		9	DTEEA	
Formalisation of businesses		10	SEDA/DTEEA	
Financial management		44	DTI	
<b>TOTAL</b>	<b>172</b>	<b>175</b>		

*The net result flowing from the implementation of these LED projects was 172 employment opportunities created and 175 citizens trained and thus empowered this citizen to realise and exercise their economic potential*

The other notable achievement is the development and adoption of LED strategies by the Xhariep district and its local municipalities. These implemented projects were linked to the Free State Growth and Development Strategy (FSGDS) and informed by the strategic thrust as articulated in the National Spatial Development Perspective (NSDP)

Furthermore, the Department of Trade and Industry (**dti**) embarked on a partnership with the municipality in the implementation of Project Khulis’umnotho (“growing the economy”). **dti** enlisted Urban-econ to assist the municipality in implementing the project. Critically, the initiative as aimed at dealing with the following issues:

- The development (refinement) of credible LED strategy;
- Identification of LED projects with business proposal and stakeholders that needs to be involved;
- The implementation / action plan (*inclusive of a capacity building strategy*); and
- To build the municipalities’ capacity on economic profiling, project packaging and financial modelling.

This process has resulted in a draft LED strategy of the District. The Municipality will be hosting an Economic Summit that will refine the draft LED strategy

## ***2.3 Municipal Financial Viability and Management***

**Key Municipal Objective:** To manage the resources of the municipality sustainably

**Results** Compliance with the provision of the MFMA through the development and approval of delegation system, Supply Chain Management Policy and the establishment of control in terms of Bank and cash management.

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Xhariep District municipality since its inception (2001) has been budgeting for a deficit. The Free State Department of Local Government and Housing has assisted the municipality in the past to address this deficit. The reason for the deficit is a lack of sufficient income to deliver on their mandate (perform their legal duties).

### **2.3.1. Financial Viability**

Since the termination of the RSC levy system the municipality is solely dependent on the RSC levy replacement grant and other grants from National and Provincial government. The municipality developed a clear multi-year budget that reflects how this grants will be spent in the next three year in line with the District Integrated Development Plan Framework.

Budget, expenditure, and Revenue sources

*Table 4: Revenue Sources*

<b>Revenue sources</b>	<b>Target</b>	<b>Actual 2008/2009</b>	<b>% Received 2008/2009</b>
Grants and subsidies	17 004 000	17,016,526	100%
Interest and other income	739 708	809,451	109%

Rental income	600 000	235,776	39%
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Table 5: Expenditure Sources

Expenditure Sources	Target	Actual 2008/2009	% Spent 2008/2009
Salaries and Wages	9 842 005	8,328,344	85%
General Expenses	7 902 596	6,330,807	80%
Repairs & Maintenance	449 057	297,935	66%
Contribution to fixed Assests	150 000	160 355	107%

The municipality did not have any capital expenditure during the year 2008/2009 given the fact that when the Municipal Infrastructure Grant (MIG) was introduced a decision was taken by national Treasury to transfer monies allocated to municipalities from the grant directly to local municipalities.

### 2.3.2. MFMA COMPLIANCE

The enactment of the Municipal Finance Management Act (No.53 of 2004) has not only established a new regulatory framework that granted us an opportunity to advance the process of transformation of our system of local government, but posed serious challenges on the management of finances and ensuring total compliance. There has been a concerted effort on the part of the district to meet critical priorities of MFMA *notwithstanding* the financial viability challenge that is afflicting the municipality. In complying with the relevant local statutes the municipality has achieved the following:

- Development and approval of delegation system embedded in applicable local government legislation to delineate the role of municipal officials and elected leaders;
- A senior management team was in place for effective running of the municipality;
- Control in terms of bank and cash management were in place;
- Supply Chain Management Policy informed by the MFMA was adopted by Council

### **2.3.3. Challenges**

Despite the mentioned achievement a slew of challenges were faced. These were:

#### ***Lack of sufficient income to fulfil legislative mandate assigned to district municipality***

The major source of income at the moment is from government grants. The main source of income is the equitable share. The RSC levies have fallen away and the equitable share has been increased to accommodate for the loss of income. There is little that one can do to increase the income.

### **2.3.4. What we need to do**

We have however analysed all the income lines and will look at new income initiatives. The following have been highlighted as areas to address:

- Determine income requirement;
- Look at existing income sources;
- Determine and unbundle new income initiatives; and
- Look into possible donor funding

#### **Determine income requirement**

In order to plan properly one must know what is required. The municipality needs to determine the perfect scenario where all the mandatory functions of the municipality are fulfilled in the most efficient and effective manner. This is a task that goes hand in hand with determining the expenditure requirements of the municipality. Emphasis should be place on the efficient and effective manner. Once this figure is determined the municipality will know what it is aiming for. This action needs to be broken down into smaller actions to ensure that the project becomes manageable and to allocate tasks to different individuals.

#### **Look at existing income sources**

As indicated earlier, Xhariep District Municipality main source of income is government grants / transfers. The only other source of income is the rental received from Kopanong.

## **Collection of rent**

In the 2008/9 financial year the municipality received no rental income. This matter needs to be addressed to ensure that the municipal manager collects all moneys owed to the municipality. In order to maximise this revenue stream it needs to be both collected and made market related.

## **Maximise income from building**

The Kopanong municipality has been allocated a section of the building. The balance of the building is used by Xhariep. Xhariep needs to assess the amount of space they require and shuffle around to maximise the use of the building. A letting company needs to be contacted to assess the rent ability of the remaining space and then go ahead with the letting process.

## **Government grants**

The only way to increase the government grants is to create a dialogue with the Free State Department of Local Government & Housing, the Provincial Treasury, National Treasury and the DPLG once the income required has been determined to obtain additional funding.

## **Determine and unbundled new income initiatives**

Another method of increasing our income is to create new sources. In Xhariep's case we will need to look at the following:

- Is it within the municipality's legislative framework
- How much will it cost to implement
- Where to get the financing to implement

The municipality will need to budget for this process.

The approach to be followed will need to be a phased approach; the phases can be as follows:

### **Phase 1: Determine new income initiatives**

In this phase the municipality will hold a strategic session with officials and politicians within the municipality, they will need to assess the current situation and identify possible new income sources. Each new project will need to be assigned to an official who will be responsible for this initiative.

### **Phase 2: Development of a business plan**

The official responsible for the project will then need to develop a business plan, either by themselves or through the use of an external expert. In the business plan it is imperative that the funds required and possible funders are identified.

### **Phase 3: Accept or reject proposal**

Once the business plans have been prepared the same people that were involved in phase 1 will need to sit again where the different business plans have been developed are presented to them for approval. The municipality will need to accept a few that will yield the best benefits to the municipality.

### **Phase 4: Obtaining of funds**

Once the business plan gets the go ahead, the funding requirements are determined and the possible funders identified the municipality will then need to present the business plan to all the possible funders identified in the business plan.

### **Phase 5: Implementation**

Once the funds have been obtained a project team needs to be developed and the project implemented. Consistent monitoring will be required to ensure that the actual figures are in accordance with the accepted business plan.

## **Look into possible donor funding**

An official will need to be delegated this responsibility and their function will be the following:

- Identify all possible donors
- Determine what they fund
- Determine their funding requirements
- Look at possible links to the new income initiatives
- Follow the processes as indicated above

## **Reengineering the whole expenditure framework**

As with the income it is imperative that the municipality determines expenditure required. In order to plan properly one must know what is required. The municipality needs to determine the perfect scenario where all the mandatory functions of the municipality are fulfilled in the most efficient and effective manner. This is a task that goes hand in hand with determining the income requirements of the municipality. Emphasis should be place on the efficient and effective manner. Once this figure is determined the municipality will know what it is aiming for.

The expenditure of the Municipality is in the vicinity of R 15 million with income in the vicinity of R 18 million per annum. This equates to a surplus of R 3 million per annum. As indicated above there are ways of improving income, it will be of no use if the expenditure just increases along with the income. Cost drivers need to be identified and ways of reducing them should be formulated and implemented by the municipality.

### **Auditor General's Report**

For the municipality to look both attractive to investors as well as donors the municipality must be able to show an unqualified "clean" audit report. Currently this is not achieved by the municipality.

The municipality needs to develop a plan where all AG queries are listed with actions, responsibilities and timeframes. This plan needs to address all the queries from the past and put corrective measures in place to ensure that they do not occur in the future.

The plan needs to be vigorously monitored to ensure that it is implemented and managed in an effective manner.

### **Intervention by National and Provincial Government**

- Financial interns programme to address skills shortages
- Grant for organisational redesign
- Lack of sufficient income to fulfil mandate
- Reengineering the whole expenditure framework
- Cleaning up the AG report (systems and processes)

## CHAPTER 3 LOOKING AHEAD TO 2009/2010

---

In the following financial year, the municipality through fostered partnership will be embarking on the following initiatives.

### ***3.1 Attainment of financial viability***

As indicated the primary constraints to the institutional development and progressive discharging of assigned powers and functions to Xhariep District is the limited revenue base as indicated. The municipality will be doing the following:

- Consistently engaging the provincial department of local government and housing to secure adequate financial assistance over the Medium Term Expenditure Framework (MTEF) to exfoliate projected budget deficits;
- Lobbying *dp/g* and national treasury for the review of inter-governmental fiscal review to cater for the specific need of less resourced district municipalities with the South African
- Local Government Association (SALGA) Free State Provincial Chapter and the department of local government and housing;
- Conducting a thorough analysis of the obtaining financial situation and implementation of recommendations thereof; and
- Determining and implementing new income initiatives and assign dedicated personnel to pursue these initiatives

### ***3.2 Effective co-ordination of regional and local economic development initiative***

As indicated the municipality will be engaging other sphere of government particularly the provincial government in seconding staff and personnel to man LED unit in the municipality. The enhanced capacity will be used in mobilising resources fro the implementation of identified LED projects critical for regional and local economic development



### ***3.3 Progressive implementation of assigned powers and functions***

As indicated the municipality performs 3 (19%) out of 16 assigned district powers and functions. There is an urgent need of ensuring that the following issues are attended to in the next financial year to better position the municipality in discharging their powers and functions:

- Reviewing the organizational structure to facilitate progressive performance of assigned powers and functions;
- Conducting a thorough skills audit in the district to determine whether officials cannot be reassigned to discharge powers and functions;
- Lobby state agencies and other spheres of government to second personnel to assist in critical performance of assigned powers and functions.

## CHAPTER 4 HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

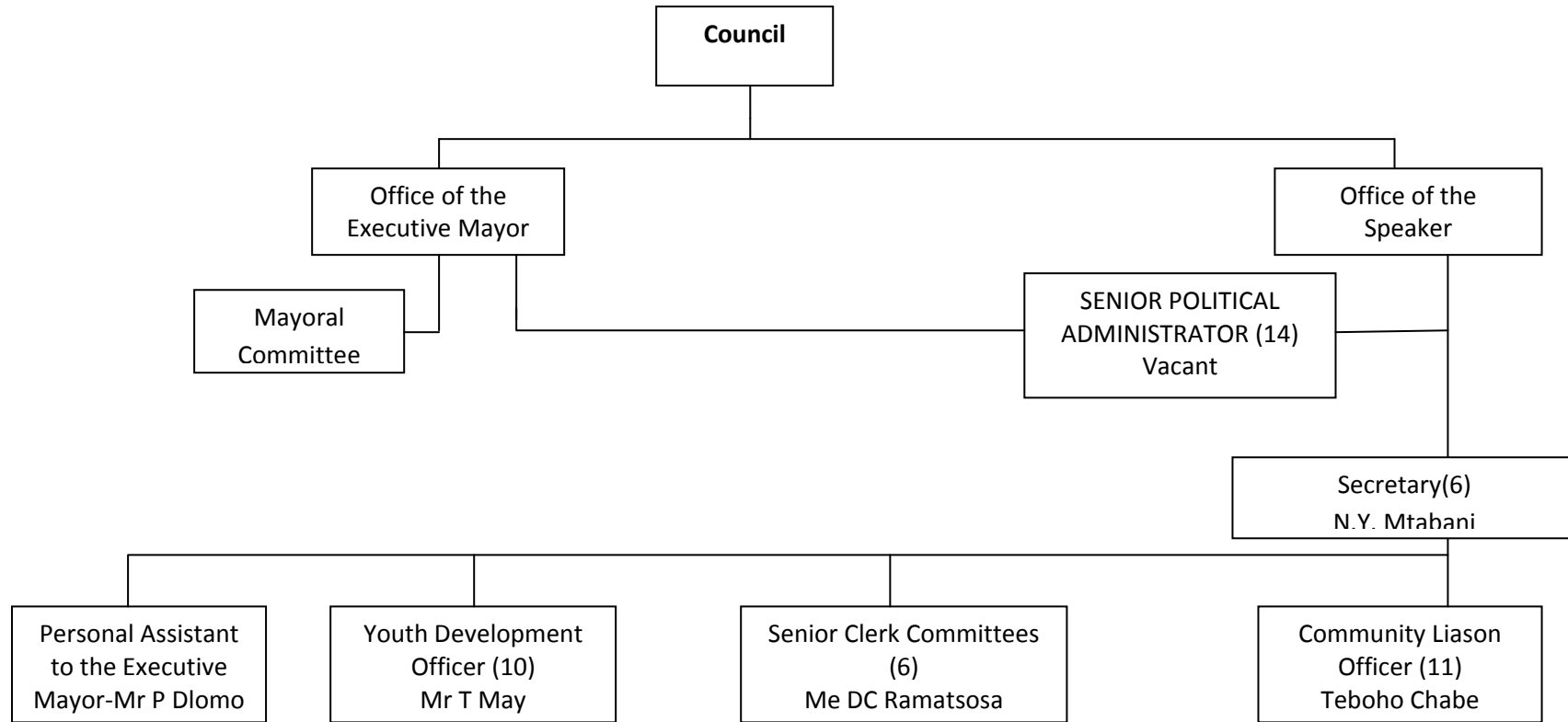
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*The Municipality` s organisatinal structure consists of the following three departments under the umbrella of the Municipal Manager` s office:*

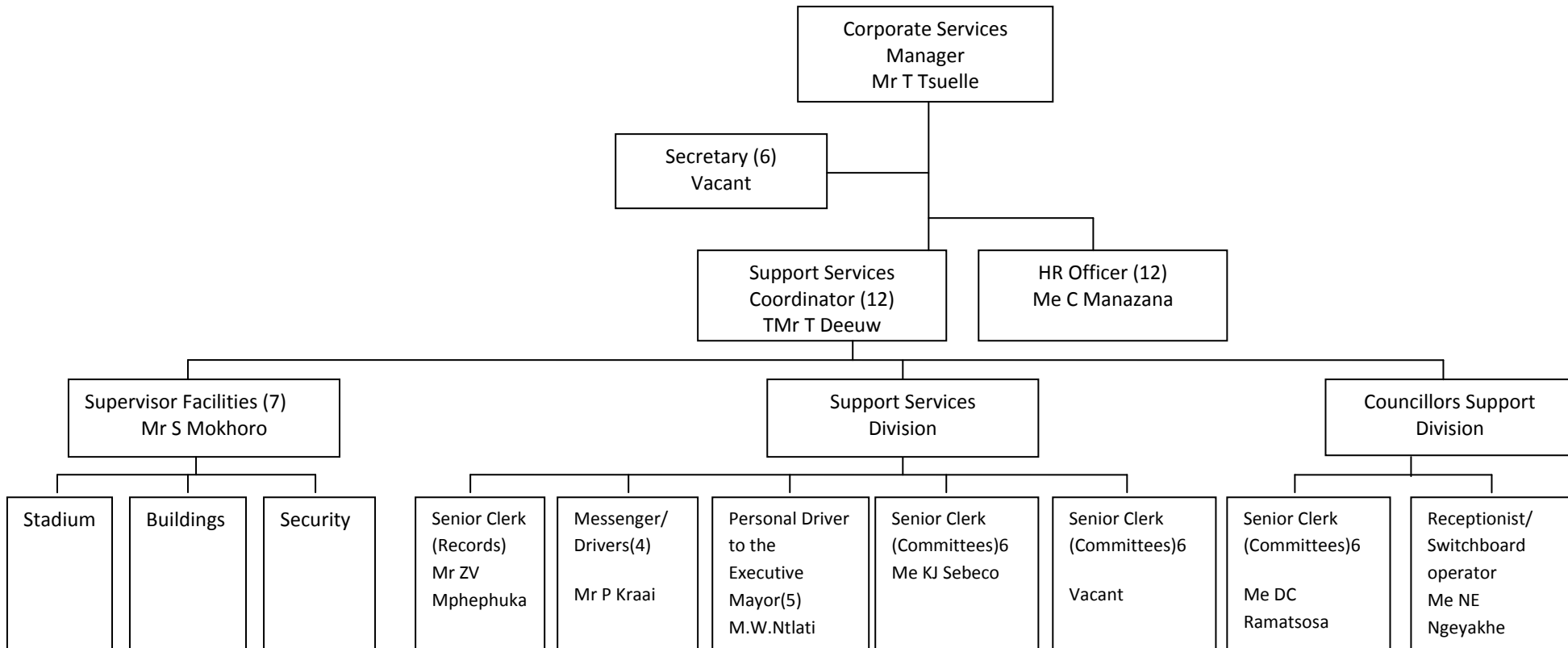
- ❖ *Finance department*
- ❖ *Corporate Services*
- ❖ *Development and planning*

The Office of the Municipal Manager holds the accountability and responsibility for the effective, efficient and sound financial administration of special programmes: Youth Development, HIV and AIDS, Disaster Management, Performance Management and Capacity Building to local Municipalities.

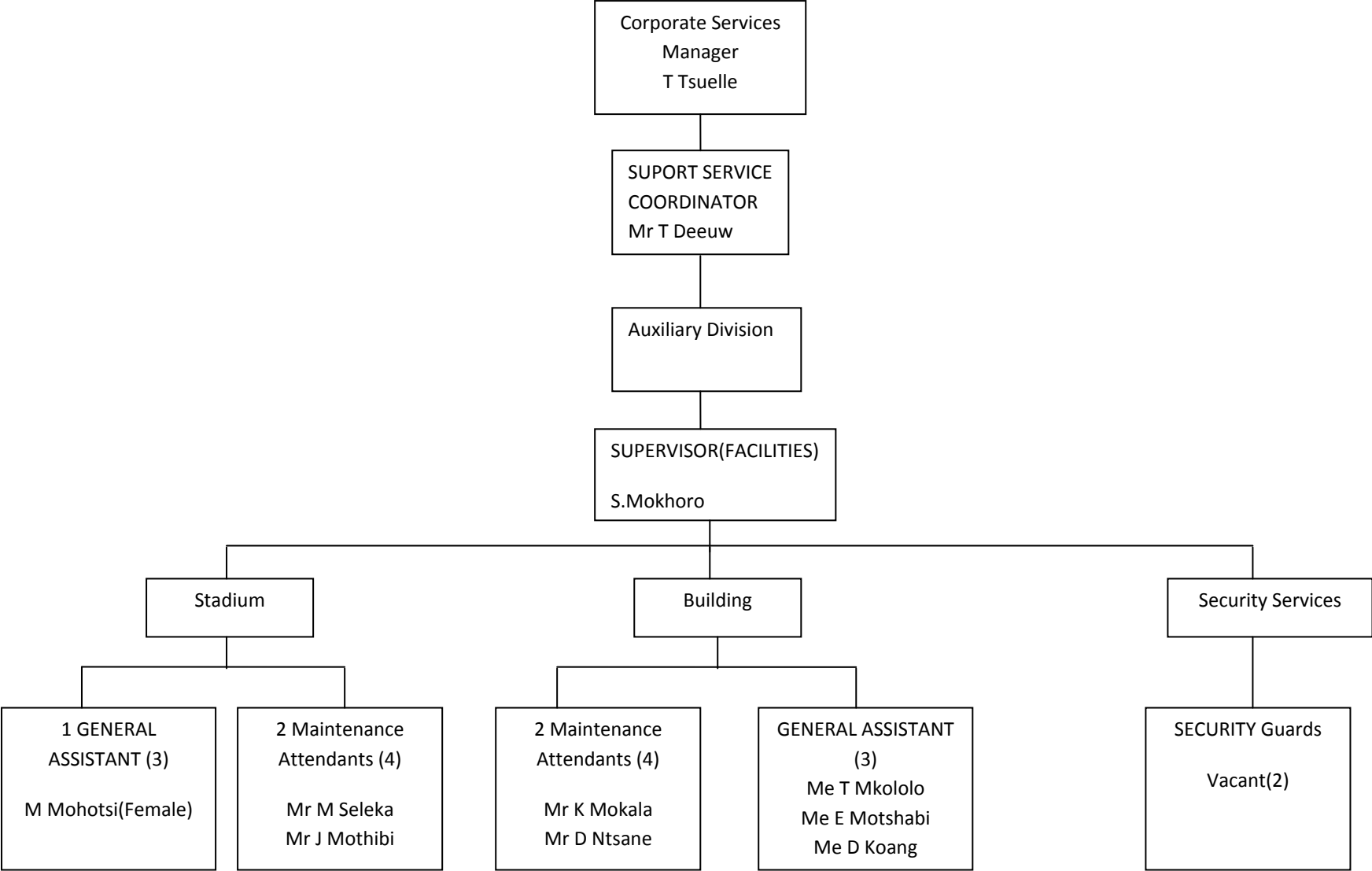
# POLITICAL STRUCTURE



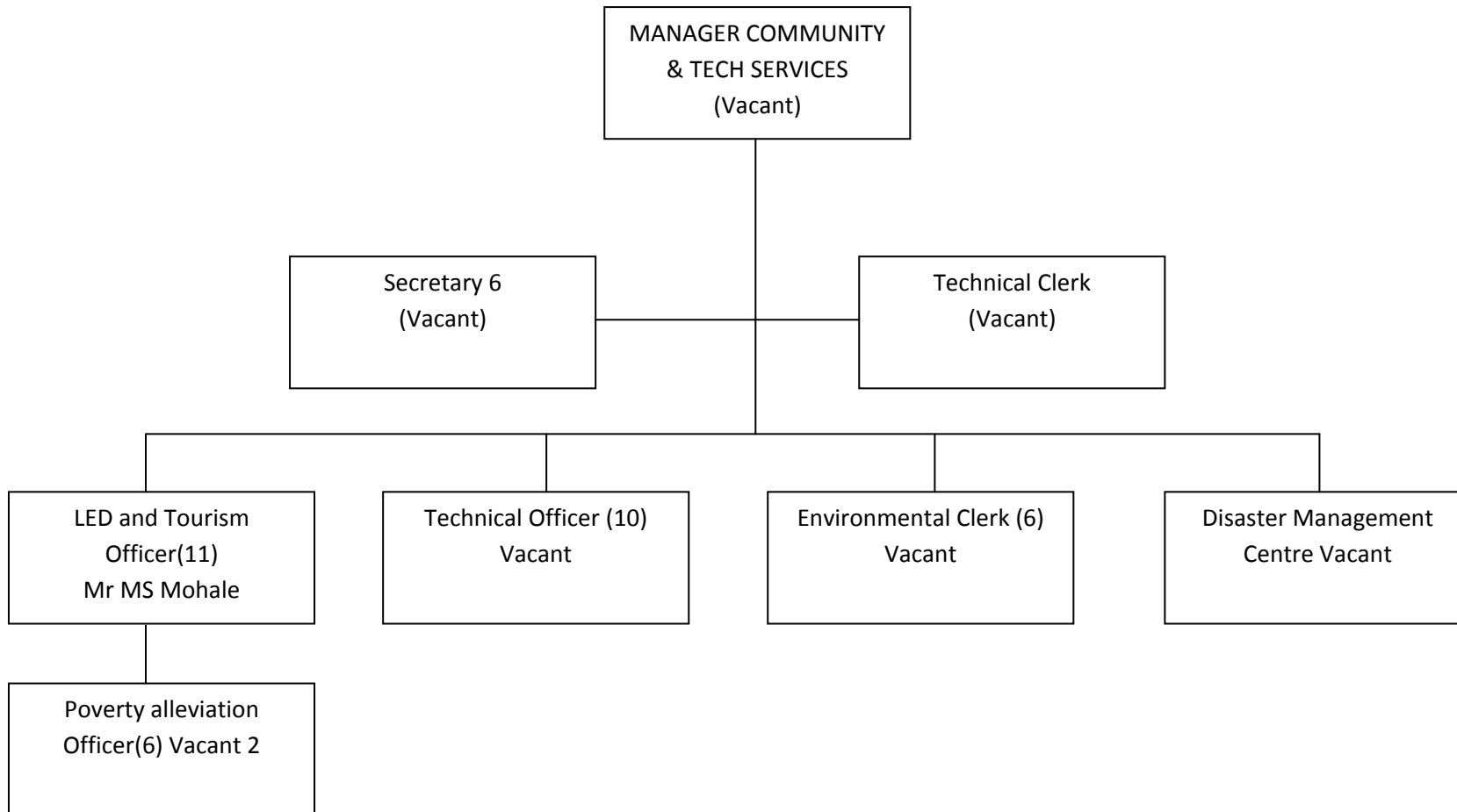
# CORPORATE SERVICES



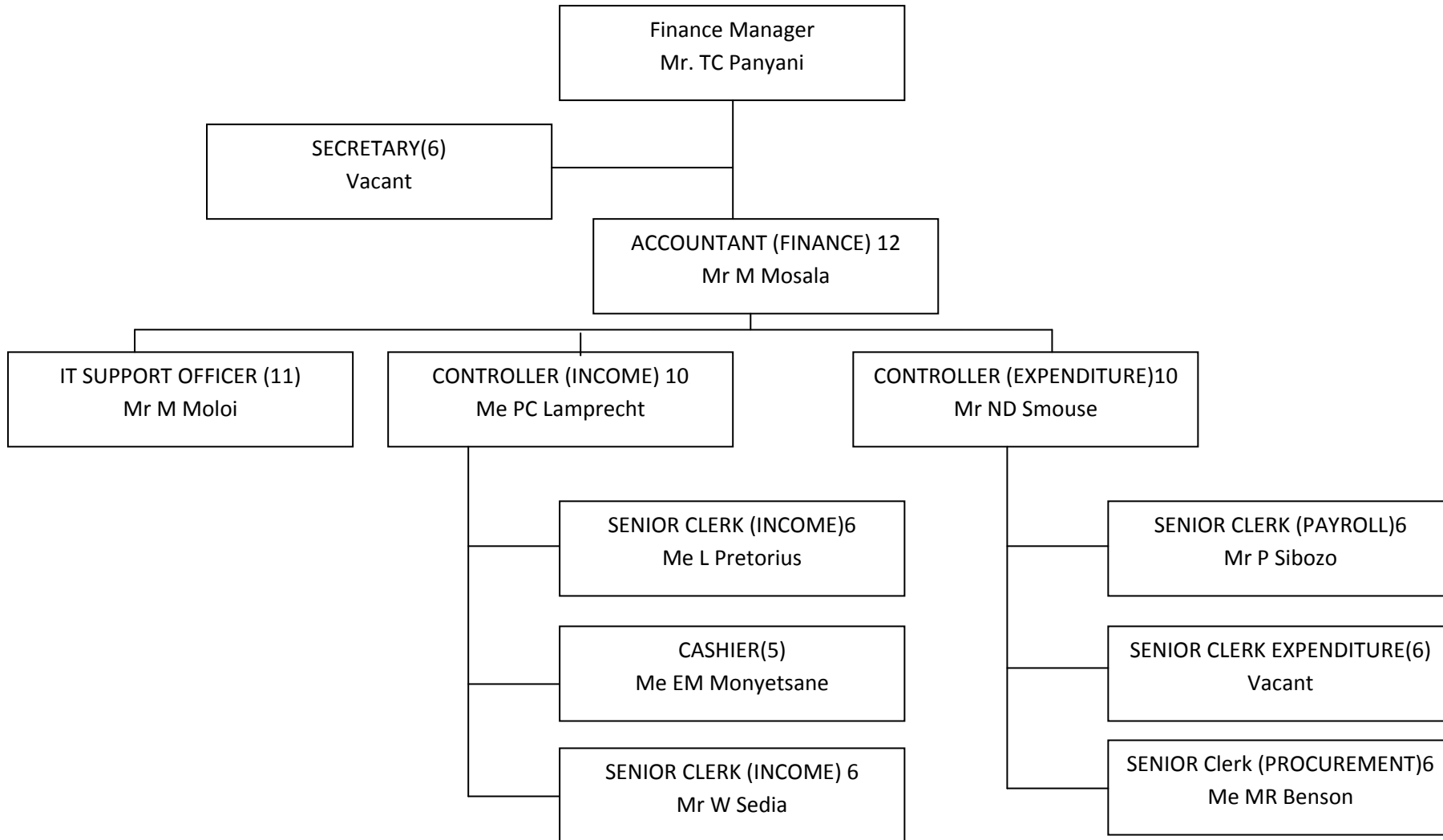
# Corporate Service (Cont):



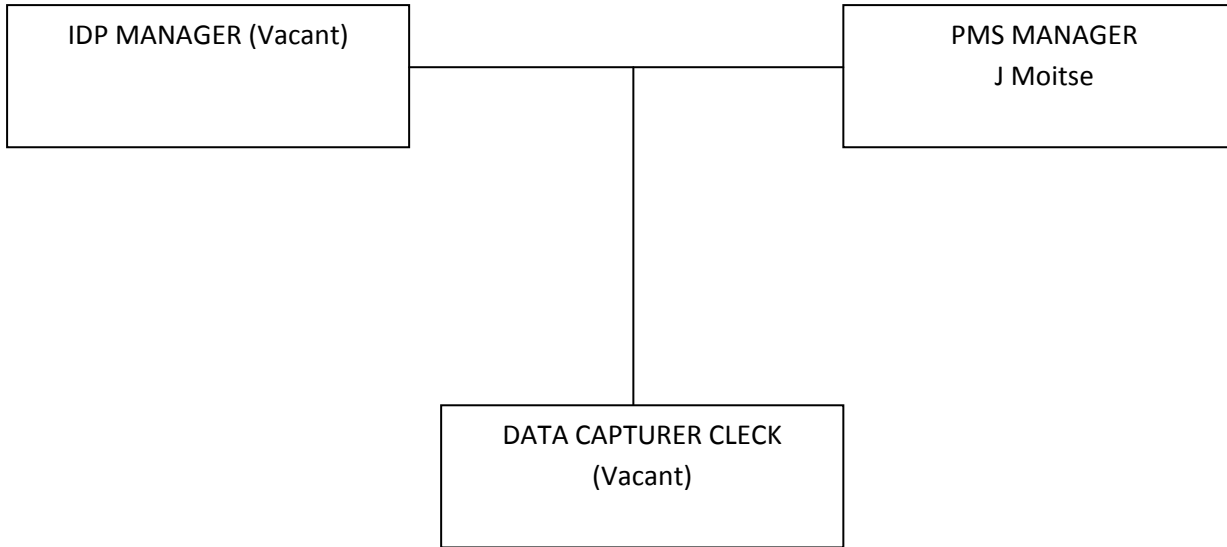
# Community & Technical Services



# Financial Services

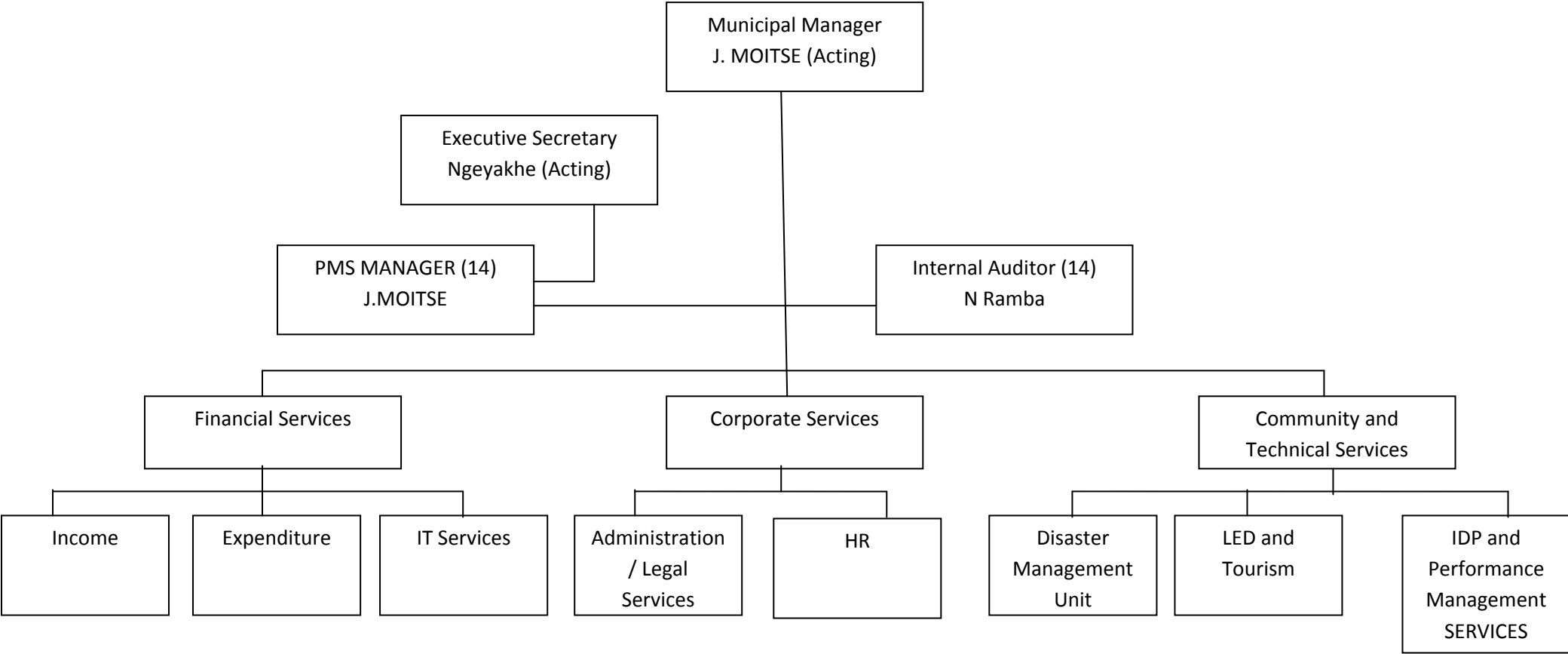


# IDP and Performance Division





# Administrative Structure



**Total number of positions filled:**

- Section 56 managers: **2**
- Total number of permanent employees: **30**
- Thetha Interns: **17**
- National Treasury Interns: **12**
- Youth Advisory Centre(YAC): **5**

**Total number of current vacancies:**

- Vacant Positions: **27**

**Skill or levels of education attained (see table 4 hereto attached)**

- Professionals: **22**
- Unskilled: **8**

**Name and Number Medical aid funds:**

There are three medical aid funds currently being used by the Xhariep District Municipality for all employees namely:

- Bonita's
- LA Health
- HOSMED

**Name and Number of Pension or Provident funds**

- Municipal Councillors Pension Fund( MCPF)
- **Free State Municipal Provident Fund(FMPF):** A decision was taken by the board of trustees not to accept anymore members in to the fund this is why newly appointed employees joins the (SNPF)
- **SAMWU National Provident Fund (SNPF):** This Provident Fund is still new and was only opened after the FMPF was closed.

**Arrears owed to the Municipality**

According to the Finance department there are no monies owed to the municipality by any entity by staff/councillors/directors.

## Trends on total personnel expenditure

### *Employee related costs*

*In total, the total employee cost decreased by R3,151,159 during 2007/2008 financial year and also decreased by R2,480,726 during 2008/2009 financial year*

Table 6: Employee Related Costs Over Three Year Period 2006/7; 2007/8 ; 2008/9

Employee Related Cost	2006/2007	2007/2008	2008/2009	Total
Salaries and Wages	7,719,129	4, 829, 595	3,393,333	15,942,057
UIF, Pension, Medical and Provident Fund	924,619	840, 148	316,711	2,081,478
Leave Payment	-	-	178,855	178,855
Travel: Motor Car and Other Allowance	1, 433, 698	1, 199, 424	312,372	2,945,494
Housing Benefits	243, 019	306, 744	97,029	646,792
Other Allowances	6 ,605	-	396,885	403,490
<b>Sub Total</b>	<b>10, 327, 070</b>	<b>7 ,175, 911</b>	<b>4,695,185</b>	<b>22,198,166</b>

## Disclosure of Information

The remuneration of XDM's councillors was as follows over the last three years

Table 7: Councillor Remuneration over three year period

Councillors' Remuneration	2006/2007	2007/2008	2008/2009	Total
Mayor's Allowance	279, 641	280 ,309	254,477	814,427
Speaker's Allowances	211 ,526	216 ,480	354,415	782,421
Councillors' Allowances	663 ,744	720 ,267	603,544	1,987,555
Mayoral Committee Allowances	882, 707	704 ,204	343,057	1,929,968
Councillors' Pension Fund Contributions	58 ,151	135 ,752	127,716	321,619
Councillors' Medical Aid Contributions	25, 350	29, 060	22,554	74,964
<b>Total</b>	<b>2,121,119</b>	<b>2,086,072</b>	<b>1,705,764</b>	<b>5,912,955</b>

The remuneration of XDM's senior officials over the last three years was as follows:

Table 8: Senior municipal officials' remuneration over three year period

Municipal Manager's Remuneration	2006/2007	2007/2008	2008/2009	Total
Annual Remuneration	154,142	312,345	270,089	637,576
Performance Bonus	32,113	-	-	32,113
Leave Payment	69,364	6,337	30,210	105,911
Car Allowance	36,667	58,099	57,831	152,597

Cell Phone Allowance	-	11,000	10,200	21,200
Acting Allowance	218,627	228,283	107,791	554,701
UIF, Medical, Pension Funds	2,340	-	31,122	33,462
<b>Sub Total</b>	<b>513,253</b>	<b>517,064</b>	<b>507,243</b>	<b>1,537,560</b>

<b>PIMS'S Remuneration</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>Total</b>
Annual Remuneration	285 665	-	-	285 665.
Performance Bonus	-	-	-	-
Leave Payment	40 694	-	-	40 694
Car Allowance	100 428	-	-	100 428
Housing Allowance	-	-	-	-
SDL	-	-	-	-
UIF, Medical, Pension Funds	13 741	-	-	13 741
<b>Sub Total</b>	<b>440 528</b>	<b>-</b>	<b>-</b>	<b>440 528</b>

<b>Corporate Services Manager</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>Total</b>
Annual Remuneration	392 524	452,264	529,131	1373919
Performance Bonus	31 790		37528	69318
Car Allowance	136 431	136,431	139054	411916
Public Office			12231	12231
Acting Allowance			24283	24283
Housing Allowance	28 800	28,800	30041	87641
Cell Phone Allowance		8,800	9785	18585
UIF, Medical, Pension Funds			1248	1248
<b>Sub Total</b>	<b>589,545</b>	<b>626,295</b>	<b>783300</b>	<b>1999140</b>

<b>Remuneration: Finance Manager</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>Total</b>
Annual Remuneration	321,793	393,552	366322	1081667
Performance Bonus	19,161	-	30527	49688
Leave Payment	69,592		43678	113270
Cell Phone Allowance		8,800	9600	18400
Car Allowance	83,333.00	112,500	112500	308333
Phone Allowance	-		21003	21003
UIF, Medical, Pension Funds	-		<b>1497</b>	1497
<b>Sub Total</b>	<b>493,879</b>	<b>514 852</b>	<b>585127</b>	<b>1593858</b>

<b>Remuneration: Technical Manager</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>Total</b>
Annual Remuneration	55,267	-	-	55,267
Performance Bonus	13,817	-	-	13,817
Acting Allowance	71,885	-	-	71,885
Car Allowance	21,068	-	-	21,068
Leave Payment	29,623	-	-	29,623
SDL	-	-	-	-
UIF, Medical, Pension Funds	3,330	-	-	3,330
<b>Sub Total</b>	<b>194,990</b>	<b>-</b>	<b>-</b>	<b>194,990</b>

<b>THETA INTERNS</b>				
	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>TOTAL</b>
Salary and Wages	-	-	276 000	276 000
SDL	-	-	2 760	2 760
Travel: Motor car and Other Allowanances	-	-	-	-
Housing Benefits	-	-	-	-
Other Allowances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>278 760</b>	<b>278 760</b>

**Grand Total for three years**

**34,155,957**

Table 9: Skills and Level of Education Attained

**PERMANENT STAFF: KHARIEP DISTRICT MUNICIPALITY**

Employee name	Emp. No.	ID number	Age	Gender	Race	Date of Employment	School Education	Higher Education	NQF Level	Job Title	Department	Contract	Allowances	Provident Fund	Medical	Contact Numbers	Date of Placement
Ngeyakhe NE	82	771022 0883 08 3	32	F	African	2002/09/01	Grade 12	Univ. Diploma In Education (Primary)3Y	5	Secretary to the MM	Corporate	Permanent	Housing/cellphone Allowance	yes	yes	0724601152	
Mkhwane TS	160	631107 5672 08 4	45	M	African	2009/05/10	Grade 12	Honours Bachelor of Arts( Public Admin)	7	Municipal Manager	Corporate	Section 57		yes	yes	0824453728	
Manzana CK	61	720612 0527 08 6	37	F	African	2002/03/01	Grade12	Masters Diploma in HRM	7	Human Resources Officer	Corporate	Permanent	Housing/cellphone/Car allowance	yes	yes	0795148920	
Mohale MS	57	760827 5553 08 2	33	M	African	2005/05/01	Grade 12	Baccalaures Artium( Public Admin)	6	LED Officer	Corporate	Permanent	Housing/cellphone/Car allowance	yes	yes	0725362483	
Panyani CT	39	731222 5648 08 0	36	M	African	2006/11/01	Grade 12	Baccalaures Commercii	6	Chief Financial Officer	Finance	Section 57	Cellphone and Car allowance	yes		0833824194	

Benson MR	74	791126 0060 08 3	30	F	Coloured	2002/05/01	Grade 12	None	2	Expenditure Clerk	Finance	Permanent	Housing Allowance	yes	yes	0785 293 794	
Matobako JS	113	750616 5786 08 7	34	M	African	2007/09/01	Grade 12	Baccalaureus Technologiae	6	Payroll Clerk	Finance	Permanent	Housing Allowance	yes	yes	0723970141	
Lesshope E	45	691011 0337 08 0	40	F	African	2001/04/06	Grade 12	None	2	Cashier	Finance	Permanent	None	yes		073 12707 02	
Moloi M	48	790203 6224 08 7	30	M	African	2004/10/01	Grade 12	Diploma IT	2	IT Technician	Finance	Permanent	Housing	yes		0736068192	
Sedia WM	86	760106 5326 08 2	33	M	African	2002/09/01	Grade 12'	Certificate in Information Technology (1Y)	3	Public Participation	Finance	Permanent	Housing/cellphone Allowance	yes	yes	0716750777	
Van Heerden LS	85	670602 0082 08 3	42	F	White	2002/09/01	Grade 12	None	2	Acting Secretary to the CFO	Finance	Permanent	Housing/cellphone Allowance	yes	yes	0822971177	
Mgudlwa YS	121	8412170649080	25	F	African	2007/09/10	Grade 12	B TECH internal audit	6	Finance intern	Finance	contract 3	None	No	No	0732538312	
Mekhoe JS	158	681020 5686 08 8	41	M	African	2008/11/01	Grade 12	Baccalaureus Computationis	6	Accountant	Finance	Permanent	Housing/car/cellphone allowance	yes	yes	0737774147	
Dlomo P	44	7210015453085	37	M	African	2001/04/01	Grade 12	Senior Primary Teachers Diploma	5	Acting IDP Manager	Corporate	Permanent	Housing/car/cellphone allowance	yes	yes	0823079212	
Chabe TC	62	6508025397080	44	M	African	2003/03/01	Grade 12	Secondary teachers diploma(3y)	5	Community liaising officer	Corporate	Permanent	Housing/car/cellphone allowance	yes	yes	0823079216	
Deeuw TF	49	6805195354085	41	M	African	2004/04/01	Grade 12	Bachelor of Arts( Public Admin)	6	Senior Administrator	Corporate	Permanent	Car/Cellphone allowance	yes	yes	0791471595	
Koeng DC	91	7510230623085	34	F	African	2003/01/01	GRADE 12	Computer Course (3M)	2	Receptionist	Corporate	Permanent	None	yes	No	0734777475	

Kraai LP	67	6003185734082	49	M	African	2002/02/01	Grade 8	None	-1	Driver	Corporate	Permanent	Housing	yes	No	0466994178
May L	65	7605275286085	33	M	African	2002/03/01	Grade 12	None	2	Youth Development Officer	Corporate	Permanent	None	No	No	0744892789
Mkololo TS	84	701205 0290 08 7	39	M	African	2003/03/09	Grade 11	None	1	General Assistant	Corporate	Permanent	None	Yes	yes	0798643127
Mkololo DC	90	770801 0434 08 3	32	F	African	2003/01/01	Grade 12	Computer Studies Diploma	3	Administrator/ Secretary	Corporate	Permanent	Housing	yes	No	0733966411
Mphephuka ZV	63	771116 5287 08 2	32	M	African	2002/03/01	Grade 12	PMS Data Capture	2	Archives Registry Clerk	Corporate	Permanent	Housing	Yes	No	0781938127
Ntlati MW	66	6907135512 08 5	40	M	African	2005/04/01	Grade 12	None	2	Driver/Messenger	Corporate	Permanent	Housing	No	No	0829 212 906
Mtabani NY	110	780602 0502 08 7	31	F	African	2006/09/01	Grade 12	Bachelor of Social Sciences	6	Secretary to the Speaker	Corporate	Permanent	Cellphone Allowance	Yes		0794985050
Mvukweni JX	144	790412 0839 08 5	30	F	African	2007/12/01	Grade 11	None	1	General Assistant	Corporate	Permanent	None	yes	No	0826667790
Motshabi ER	76	780215 0183 08 7	31	F	African	2002/06/24	Grade 11	None	1	General Assistant	Corporate	Permanent	None	yes	No	0789282799
Moletsane JK	143	701221 0519 08 6	39	F	African	2007/12/01	Grade 12	None	2	General Assistant	Corporate	Permanent	None	yes	No	0835150675
Mokhorho LS	66	500222 5414 08 6	59	M	African	2007/06/01	Grade11	None	1	Facility Management officer	Corporate	Permanent	Housing Allowance	yes	No	0796994188
Mothibi J	96	731009 5653 08 1	36	M	African	2003/10/01	Grade 10	None	1	Maintanance assistant	Corporate	Permanent	None	yes	No	None



Jafta M	163	840215 5751 08 4	25	M	African	2009/06/01	Grade 12	None	2	PA To Mayor	Corporate	contract	None	No	No	0787682109
August S	162	7004270274082	39	F	African	2009/06/01	Grade 12	None	2	PA to Speaker	Corporate	contract	None	NO	NO	0827121829
Ntsane D	98	7904275591085	30	M	African	2002/10/01	Grade 12	None	2	Maintanance assistant	Corporate	Permanent	Housing	YES	NO	None
Phaladi DZ	164	781010 6939 08 0	31	M	African	2009/06/01	Grade 11	None	2	Driver To Mayor	Corporate	Contract		No	No	0761111701
Sekonya L	170	8210015980086	27	M	African	2009/07/01	Grade 12	Ndip: Internal Audit	5	Internal Auditor	Corporate	Permanent		Yes	No	0823416103
Mofokeng PA	159	8309281196086	26	F	African	2009/10/05	Grade 12	B.Tech in Cost and Management Accouting	6	Finance Intern	Finance	Contract		yes	No	0718985065
Lekale MP	148	8205315457082	27	M	African	2009/10/05	Grade 12	Bcompt Degree	6	Finance Intern	Finance	Contract		No	No	0784789905
Sebogodi GA	194	8411170545082	25	F	African	2009/10/01	Grade 12	Financial Management	3	Finance Intern	Finacen	Contract		No	No	0734101004
Mochochoko MJM	167	8012290429080	29	F	African	2009/10/01	Grade 12	Bussiness Management	3	Finance Intern	Finance	Contract		No	No	0836952192
Tshabalala P	155	8704176167087	22	M	African	2009/10/01	Grade 12	Diploma IT	5	IT Intern	Corporate	Contract		No	No	072043687
Ntsala P	156	8310300350847	26	F	African	2009/10/01	Grade 12	BCOM	6	LED Intern	Planning &Development	Contract		No	No	0733355865
Molatedi K	157	7512280729085	34	F	African	2009/10/01	Grade 12	BCOM Degree	6	LED Intern	Planning &Development	Contract		No	No	0824049325

Motshabi TI	154	8303085787083	26	M	African	2009/10/01	Grade 12	Computer Technician	3	IT Intern	Corporate	Contract	No	No	0737668303
Zinza PXP	151	8405051660085	25	F	African	2008/10/01	Grade 12	Ndip: Human Resource Management	5	HR Intern	Corporate	Contract	No	No	0749228581
Tsikane S	162	8409265991088	25	M	African	2008/10/01	Grade 12	Ndip: Public Management	5	Corporate Intern	Corporate	Contract	No	No	0839586706
Nchefu T	161	8308285767082	26	M	African	2008/10/01	Grade 12	Ndip: Public Management	5	Corporate Intern	Corporate	Contract	No	No	0710513266
Rakoti T D		8507245825084	24	M	African	2008/10/01	Grade 12	Certificate: IT Specialist	3	IT Intern	Finance	Contract	No	No	079862077
Lehare MM		8403015812082	25	M	African	2008/10/01	Grade 12	Certificate in Computer Studies 1 year	3	IT Intern	Finance	Contract	No	No	0725128642
Qalinge NI		8903091242088	20	F	African	2008/10/01	Grade 12	Certificate in Marketing: 6 months	3	Finance Intern	Finance	Contract	No	No	076882751
Leeuw LE		8203285521086	27	M	African	2008/10/01	Grade 12	National Certificate: Public Management	3	Corporate Intern	Corporate	Contract	No	No	076882751

**ANNUAL FINANCIAL STATEMENTS OF  
KHARIEP DISTRICT MUNICIPALITY  
FOR THE YEAR ENDED 30 JUNE 2009**





**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**GENERAL INFORMATION**

**Members of the Xhariep Municipal Council**

M Ntwanambi	<b>Executive Mayor</b>
AM Sasha	<b>Speaker</b>
TI Reachable	Member
NB Shiya	Member
BS Majenge	Member
RJ Thuhlo	Member
MA Kwinani	Member
MJ Ralithare	Member
AJ Van Rensburg	Member
M Du Toit	Member

**Grading of municipality**

Grade 2

**Auditor:**

The Auditor - General

**Bankers**

ABSA

**Registered office:**

P.O. Box 136  
Trompsburg  
9913

**Physical address:**

20 Louw Street  
Trompsburg  
9913

Telephone: 051 - 7139300

Fax: 051 - 7130461

**Municipal Manager**

0

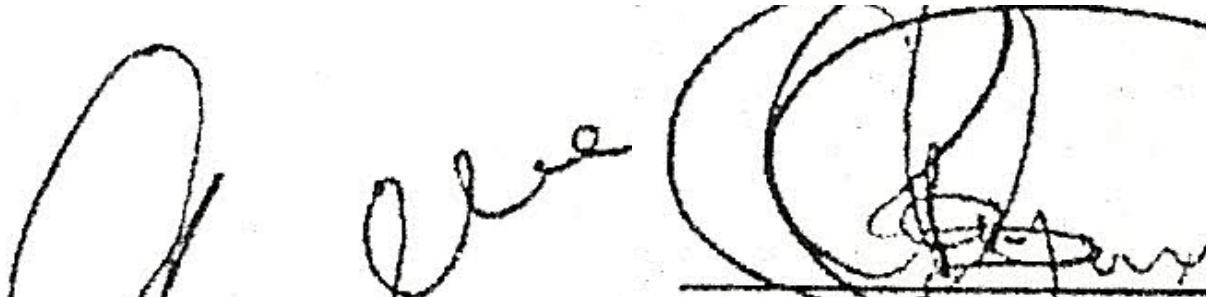
**Financial Manager**

T Panyani (B.Com)

**APPROVAL OF THE FINANCIAL STATEMENTS**

The annual financial statements as set out on page 4 to 18 were approved by the Municipal Manager on the 30 August 2009 and will be presented to Council for approval.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 11 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**FOREWORD OF THE EXECUTIVE MAYOR**

The Xharep District Municipality (DC16) was established in terms of the Municipal Structures Act of 1998 and proclaimed in the provincial Gazette No 184 of September 2000. The Municipality comprise of Kopanong Local Municipality in Trompsburg, Mohokare Municipality in Zastron and Letsameang Local Municipality in Koffiefontein

The Xharep District Municipality have since taken its place as a deserving member of the Public Sector in South Africa that have made real tangible changes to its community.

In 2008/2009 we faced the challenge of striving towards meeting all the milestones attached to the provisions of the Municipal Finance Management Act (MFMA) on time. Surely the systems we have put in place, the personnel we have employed and of course the leadership we provide as Council, will ensure that in due course all these provision are met.


Certainly as we roll out the other obligatory formalities of the Municipal Financial Management Act (MFMA), we stand to act with more efficiency, effectiveness and maintaining value for money for our communities.

Unfortunately the financial sustainability of the Municipality became a reality for the year under review and the Department of Local Government and Housing has assisted the Municipality in many ways to sustain operations.

Despite the above-mentioned difficulty as the Mayor of this Council, I believe that a bright future lies in front of us. With hard work and dedication, we can and will make a difference to the lives of all people in our district.

In conclusion, promulgation of Municipal Finance Management Act 56 of 2003 places various challenges on the operations of the Xharep District Municipality. On behalf of the Council we cherish these challenges and victory will be achieved through full co-operation of the Mayoral Committee, Members of the Council and all Portfolio Committees for their work and continued unconditional support.

Let me express my deepest appreciation to the Finance Department for a collective effort and analysis that went into compiling the financial statements.



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Councillor M Ntwarambi

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**FINANCIAL MANAGER'S REPORT**

**1. Operating results**

Details of the operating results per department, classification and object of expenditure are included in appendices C and D. The applicable statistics are shown in appendix E. The overall operating results for the year ended 30 June 2009 are as follows:

<b>INCOME</b>	<b>Actual 2008</b>	<b>Actual 2009</b>	<b>Variance 2008/09</b>	<b>Budget 2009</b>	<b>Variance Actual/ budget</b>
	<b>R</b>	<b>R</b>	<b>%</b>	<b>R</b>	<b>%</b>
Opening Surplus/(deficit)	(333 847)	2 817 064	-944%	-	-
Income for the year	14 747 026	18 061 753	22%	18 343 708	-2%
<b>Total</b>	<b>14 413 179</b>	<b>20 878 817</b>		<b>18 343 708</b>	
<b>EXPENDITURE</b>					
Expenditure	18 047 144	15 117 441	-16%	18 343 708	-18%
Sundry transfers	(6 451 028)	1 345 077	-	-	-
Closing Surplus(deficit)	2 817 064	4 416 299	57%	-	-
<b>Total</b>	<b>14 413 179</b>	<b>20 878 817</b>		<b>18 343 708</b>	

**2. Capital expenditure and financing**

The actual expenditure consists of the following:

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2008 Actual</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Office and Computer Equipment	669 077	669 077	10 526
	<b>669 077</b>	<b>669 077</b>	<b>10 526</b>

Resources used to finance the fixed assets were as follows:

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2008 Actual</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Contributions ex operating income	160 356	150 000	10 526
Grants and subsidies	508 721	519 077	-
	<b>669 077</b>	<b>669 077</b>	<b>10 526</b>

A complete analysis of capital expenditure (actual and budgeted) per department is included in appendix I



**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**FINANCIAL MANAGER'S REPORT (CONTINUED)**

**3. External loans, investments and cash**

There are no external loans outstanding on 30 JUNE 2009.

Investments and cash were as follows:

	R	R
	2009	2008
Current bank account	512 487	1 773 760
Investments	9 972 588	7 104 811
	10 485 075	8 878 572

More information regarding investments and cash are disclosed in the notes (4 and 7) to the financial statements.

**4. Funds and reserves**

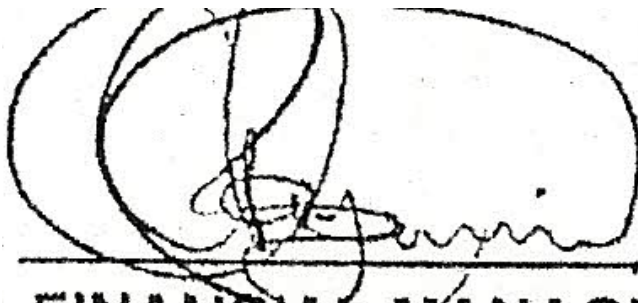
More information regarding funds and reserves are disclosed in the notes (1 and 2) and appendix A to the financial statements.

**5. Post balance sheet events**

After the Balance Sheet was finalised no additional information was received that could have had an effect on the affairs reflected.

**6. Expression of appreciation**

I am grateful to the Mayor (Chairman), members of the Mayoral Executive Committee, Councillors, the Municipal Manager and all office staff for the support they have given me and to the staff of my own office and in particular to the local representatives of the Auditor-General and the auditors appointed by the Auditor-General for their assistance and support during the year.



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**FINANCIAL MANAGER**

**T PANYANI**

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**ACCOUNTING POLICY**

**1.1** These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996)

**1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

**1.3** The financial statements are prepared on the accrual basis as stated:

- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, e.g donations
- Expenditure is accrued in the year it is incurred

**2.1 Capital Development Fund**

All direct income and earmarked contributions from current income, transfers from accumulated surpluses, interest of the capital development fund, net sales of any assets of council, interest and capital payments on advances or loans granted, unused amounts in accumulated and reserve funds and any other amounts on which Council may decide may be transferred to the capital development fund.

**2.2 Motheo asset share reserve**

The reserve was created as a result of the splitting of the Bloem Area District Council between the Motheo District Municipality and the Xhariep District Municipality. The assets were split 60% Motheo and 40% Xhariep. No contributions are made to the

**3 Fixed Assets**

**3.1** Fixed assets are stated:

- at historical cost; or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end off their estimated life as determined by the Treasurer.

**3.2** Depreciation:

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

Grant or donation, where the amount representing the value of such a grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

**XHARIEP DISTRICT MUNICIPALITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

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**ACCOUNTING POLICY (continued)**

**3.3** All net proceeds from the sale of fixed property are credited to the Fixed Property sales Fund. Net proceeds from the sale of all other assets are credited either to the Special Capital Fund or the Capital Development Fund.

**3.4** Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at

**4 Retirement Benefits**

The Council and the employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund and the SAMWU Provident Fund. These funds supply retirement benefits to the relevant employees.

The Free State Municipal Pension Fund is subject to the Pension Fund Act of 1956. Pensions are calculated on the average annual pensionable emolument of the two years immediately prior to retirement. Current contributions are charged against income. Beneficial experience adjustments are retained in the retirement benefit plan and applied to improvement of benefits to the employees. Full actuarial valuations are performed at intervals of three years in respect of the Free State Municipal Pension Fund. An actuarial valuation of the provident fund is not compulsory in terms of legislation.

**5 Medical Aid Funds**

Xhariep District Municipality, its employees and Councillors contribute to the following medical aid funds.

LA HEALTH  
BONITAS  
HOSMED

Benefits are being calculated according to the rules of the different funds. The subsidised portion of the current contributions are charged against operating income.

**6 Investments**

Investments are disclosed at the lower of cost or market value where there is a permanent decrease in value and are invested in accordance with financial regulation 6 of the District Councils Act, 1985 (Act No 109 of 1985).

**XHARIEP DISTRICT MUNICIPALITY**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>CAPITAL EMPLOYED</b>			
<b>Funds and Reserves</b>		<b>10 278 215</b>	7 666 600
Statutory funds	1	-	(1 012 380)
Reserves	2	<b>5 861 916</b>	5 861 916
Accumulated surplus / (deficit)	10	<b>4 416 299</b>	2 817 064
		<b>10 278 215</b>	<b>7 666 600</b>

**CAPITAL EMPLOYED**

<b>Non-Current Assets</b>		-	22 031
Fixed assets	3	-	-
Long - term debtors	5	-	22 031

<b>Net Current Assets</b>		<b>10 278 216</b>	7 644 569
<b>Current Assets</b>		<b>11 646 280</b>	9 694 562
Debtors	6	<b>1 121 722</b>	781 589
Short-term portion of long-term debtors	5	<b>39 483</b>	34 401
Cash on hand	7	<b>512 487</b>	1 773 760
Investments	4	<b>9 972 588</b>	7 104 811
<b>Current Liabilities</b>		<b>1 368 064</b>	2 049 992
Provisions	8	<b>261 255</b>	134 132
Creditors	9	<b>1 106 809</b>	1 915 860
		<b>10 278 216</b>	<b>7 666 600</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

<b>2008</b>	<b>2008</b>	<b>2008</b>		<b>2009</b>	<b>2009</b>	<b>2009</b>
<b>Actual</b>	<b>Actual</b>	<b>surplus/</b>		<b>Actual</b>	<b>Actual</b>	<b>surplus/</b>
<b>income</b>	<b>expenditure</b>	<b>(deficit)</b>		<b>income</b>	<b>expenditure</b>	<b>(deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
14 747 026	18 047 144	(3 300 117)	<b>Services</b>	<b>18 061 753</b>	<b>15 117 441</b>	<b>2 944 312</b>
14 747 026	18 047 144	(3 300 117)	Community services	18 061 753	15 117 441	2 944 312
<u>14 747 026</u>	<u>18 047 144</u>	<u>(3 300 117)</u>	<b>TOTAL</b>	<u>18 061 753</u>	<u>15 117 441</u>	<u>2 944 312</u>
			Appropriations for the year			(1 345 077)
		6 451 028				
		<u>3 150 911</u>	<b>Net surplus / (deficit) for</b>			<u>1 599 235</u>
			<b>the year</b>			
		-	Adjustment to prior year			-
			financial statements see			
			note 10			
		(333 847)	Accumulated surplus /			2 817 064
		<u>(333 847)</u>	(deficit)at begining of year			<u>2 817 064</u>
		<u>2 817 064</u>	<b>Net surplus / (deficit) for</b>			<u>4 416 299</u>
			<b>the year after adjustments</b>			<u>4 416 299</u>

Refer to appendix C and D for more detail

**XHARIEP DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
<b>CASH RETAINED FROM NORMAL ACTIVITIES</b>		<b>2 278 145</b>	<b>( 849 469)</b>
Cash generated by activities	13	2 191 434	2 306 572
Investment income	12	729 531	854 866
(Increase) / decrease in working capital	14	( 642 820)	(4 010 908)
		<b>2 278 145</b>	<b>( 849 469)</b>
External interest paid		-	-
<b>Cash available from activities</b>		<b>2 278 145</b>	<b>( 849 469)</b>
Cash contributions from the public and state		-	-
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets	3	( 669 077)	( 10 526)
<b>NET CASH FLOW</b>		<b>1 609 068</b>	<b>( 859 996)</b>
<b>CASH EFFECT OF FINANCING ACTIVITIES</b>			
(Increase) / decrease in cash investments	15	(2 870 341)	2 167 341
(Increase) / decrease in cash on hand	16	1 261 273	(1 307 345)
<b>Net cash generated / (utilised)</b>		<b>(1 609 068)</b>	<b>859 995</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	2008
	<b>R</b>	R
<b>1 STATUTORY FUNDS</b>		
Capital Development Fund	-	(1 012 380)
<i>(Refer to appendix A for more detail)</i>	-	(1 012 380)
	<u>-</u>	<u>(1 012 380)</u>
<b>2 RESERVES</b>		
Motheo Asset Share Reserve	<b>5 861 916</b>	5 861 916
<i>(Refer to appendix A for more detail)</i>	<b>5 861 916</b>	5 861 916
	<u>5 861 916</u>	<u>5 861 916</u>
<b>3 FIXED ASSETS</b>		
Fixed assets beginning of the year	<b>17 901 884</b>	17 891 358
Capital expenditure during the year	<b>669 077</b>	10 526
Assets written of and prior years adjustments	<b>317 006</b>	-
<b>Total fixed assets</b>	<b>18 887 967</b>	17 901 884
Less: Loans redeemed and other capital receipts	<b>(18 887 967)</b>	(17 901 884)
<b>Net fixed assets</b>	<b>-</b>	-
<i>(Refer to appendix B for more information)</i>	<u>-</u>	<u>-</u>
<b>4 INVESTMENTS</b>		
<u>Unlisted</u>		
Short term deposits	<b>9 972 588</b>	7 104 811
Total investments	<b>9 972 588</b>	7 104 811
	<u>9 972 588</u>	<u>7 104 811</u>
Management's valuation of listed and unlisted investments	<b>9 972 588</b>	7 104 811
	<u>9 972 588</u>	<u>7 104 811</u>
Average rate of return on investments	<b>7.41%</b>	11.72%
No investments have been written off during the year		
No investments have been pledged as security for any funding facilities of the Council		
Financial Regulation 6 of the District Councils Act, 1985 (No 109 of 1985) requires local authorities to invest funds, whether held in trust or otherwise, in prescribed securities.		

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
<b>5 LONG - TERM DEBTORS</b>		
Car loans	188 334	485 504
Study loans	-	177
Less: Provision for bad debts	<u>(148 851)</u>	<u>(429 250)</u>
	<u>39 483</u>	<u>56 431</u>
Less: Current portion transferred to current assets	<u>(39 483)</u>	<u>(34 401)</u>
<b>Total</b>	<u>-</u>	<u>22 031</u>
<b>6 CONSUMER DEBTORS</b>		
Current debtors	1 121 722	785 267
Amounts paid in advance	-	-
	<u>1 121 722</u>	<u>785 267</u>
Less: Provision for bad debts	-	(3 678)
	<u>1 121 722</u>	<u>781 589</u>
<b>7 CASH AND CASH EQUIVALENTS</b>		
Bank	504 773	1 773 760
Credit Card Balance	<u>7 714</u>	<u>-</u>
	<u>512 487</u>	<u>1 773 760</u>
ABSA: Brandwag (334334) Account (4053628182) Balance	<u>504 773</u>	<u>1 773 760</u>
<b>8 PROVISIONS</b>		
Leave	<u>261 255</u>	<u>134 132</u>
	<u>261 255</u>	<u>134 132</u>
<b>9 CREDITORS</b>		
Sundry/other creditors	1 106 809	1 915 860
Amounts received in advance	-	-
<b>Total</b>	<u>1 106 809</u>	<u>1 915 860</u>
<b>10 Appropriations</b>		
Appropriation account:		
Accumulated surplus: beginning of the year	2 817 064	(333 847)
Operating (deficit)/surplus for the year	2 944 312	(3 300 117)
Appropriations for the year:	<u>(1 345 077)</u>	<u>6 451 028</u>
<b>Prior year adjustments</b>		
Incorrect Automatic system transfer	-	1 718 658
No movement in creditors account for past two financial years	-	(6 398 150)
No movement in debtors account for past two financial years	-	11 920 277
Money owed to long-term debtor, but have left Council's employment	-	2 997
Unable to confirm the long-term debtor that owed the money	-	3 353
Correction of opening bank balance on the financial system	-	101 046
Correction of opening balance of Mr. K Sebusi's long-term loan	-	23 470
Levy income debtor not provided for in the previous financial year	-	188 191
Electricity purchases not provided for in the prior year	-	(11 839)
Kopanong debtor not created in the prior year	-	621 683
System generated closing journal	-	(1 718 658)
Transfer from Capital Development Fund	<u>(1 012 380)</u>	-
System error on creditors age analysis	4 550	-
Suspence account	<u>(491 622)</u>	-
VAT recovered from prior periods	160 106	-
Debtors written off	<u>(11 250)</u>	-
Incorrect allocated credit note	5 520	-
	<u>-</u>	<u>-</u>
Accumulated surplus : end of the year	<u>4 416 299</u>	<u>2 817 064</u>



**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
<b>11 COUNCILLOR'S REMUNERATION</b>		
Mayor's allowances	254 477	280 309
Speakers allowances	354 415	216 480
Councillor's allowances	603 544	720 267
Mayoral Committee allowances	343 057	704 204
Councillor's pension contributions	127 716	135 752
Councillor's medical aid contributions	22 554	29 060
<b>Total</b>	<b>1 705 764</b>	<b>2 086 072</b>

**In Kind Benefits**

The Executive Mayor, Speaker and Mayoral Committee Members are full time. The Mayor and Speaker are provided with an office and secretarial support at the cost of the Council. The Executive Mayor has the use of a Council owned vehicle for official duties.

**12 FINANCING TRANSACTIONS**

*Total interest earned or paid:*

Interest earned	729 531	854 866
Interest paid	-	-
	<b>729 531</b>	<b>854 866</b>

**13 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	2 944 312	(3 300 117)
Adjustments in respect of previous years' operating transactions	(1 344 934)	6 418 874
Interest received	(729 531)	(822 711)
Appropriations charged against income:	1 321 587	10 526
Fixed assets	160 356	10 526
Adjustments to funds, Reserves and Provisions	-	-
Capital Development Fund	1 012 380	-
Provisions and reserves	148 851	-
Non-operating income:		
Motheo asset share reserve	-	-
Capital development fund	-	-

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	2008
	<b>R</b>	R
<b>13 CASH GENERATED BY OPERATIONS (continued)</b>		
Non-operating expenditure:		
Motheo asset share reserve	-	-
Capital development fund	-	-
	<u><b>2 191 434</b></u>	<u>2 306 572</u>
<b>14 (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in debtors and long-term debtors	<b>39 108</b>	2 791 803
Increase/(decrease) in creditors & provisions	<u><b>(681 928)</b></u>	<u>(6 802 711)</u>
	<u><b>(642 820)</b></u>	<u>(4 010 908)</u>
<b>15 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investment realised	<b>1 855 810</b>	3 000 000
Interest capitalised	<b>(726 151)</b>	(832 659)
Investment made	<u><b>(4 000 000)</b></u>	-
	<u><b>(2 870 341)</b></u>	<u>2 167 341</u>
<b>16 (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance: beginning of the year	<b>1 773 760</b>	466 415
Less Cash balance: end of the year	<u><b>512 487</b></u>	<u>1 773 760</u>
	<u><b>1 261 273</b></u>	<u>(1 307 345)</u>
<b>17 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	<b>3 393 333</b>	4 829 595
Employee related costs - Contributions for UIF, pensions and medical aids	<b>316 711</b>	840 148
Leave Payment	<b>178 855</b>	-
Travel, motor car and other allowances	<b>312 372</b>	1 199 424
Housing benefits and allowances	<b>97 029</b>	306 744
Other allowances	<u><b>396 885</b></u>	-
	<u><b>4 695 184</b></u>	<u>7 175 911</u>

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	2008
	<b>R</b>	R
<b>17 EMPLOYEE RELATED COSTS (continued)</b>		
<b>17.1 Renumeration of the Municipal Manager</b>		
Annual Renumeration	270 089	312 345
Leave payment	30 210	6 337
Car Allowance	57 831	58 099
Acting allowance	107 791	228 283
Cell phone allowance	10 200	11 000
Contributions to UIF, Medical and Pension Funds	31 122	-
	<u>507 243</u>	<u>616 064</u>
<b>17.2 Renumeration of the Corporate Manager</b>		
Annual Renumeration	529 131	452 264
Performance Bonuses/Annual	37 528	-
Housing Allowance&Home Own	30 041	28 800
Car Allowance	139 054	136 431
Public Office	12 231	-
Acting allowance	24 283	-
Cell phone allowance	9 785	8 800
Contributions to UIF, Medical and Pension Funds	1 248	-
	<u>783 300</u>	<u>626 295</u>
<b>17.3 Renumeration of the Finance Manager</b>		
Annual Renumeration	366 322	393 552
Performance Bonuses	30 527	-
Leave payment	43 678	-
Phone Allowance	21 003	-
Car Allowance	112 500	112 500
Cell phone allowance	9 600	8 800
Contributions to UIF, Medical and Pension Funds	1 497	-
	<u>585 127</u>	<u>514 852</u>

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Thetha Grant	705 000	-
Equitable share	9 614 005	7 733 922
MSIG	735 000	1 000 000
DPLG	5 000 000	4 000 000
Financial Management Grant	500 000	500 000
Total Government Grant and Subsidies	<u>16 554 005</u>	<u>13 233 922</u>
<b>18.1 Equitable Share</b>		
Balance unspent at beginning of year		
Current year receipts	9 614 005	7 733 922
Conditions met - transferred to revenue	<u>(9 614 005)</u>	<u>(7 733 922)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<b>18.2 MSIG</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts -	735 000	1 000 000
Conditions met - transferred to revenue	<u>(603 527)</u>	<u>(1 000 000)</u>
Conditions still to be met - transferred to liabilities	<u>131 473</u>	<u>-</u>
This grant was used to assist in building capacity in the district and local municipalities to ensure that the new developmental system of local government is fully implemented.		
<b>18.3 Financial management grant</b>		
Balance unspent at beginning of year	-	-
Balance unspent at the beginning of year	-	-
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	<u>(500 000)</u>	<u>(500 000)</u>
Conditions met - transferred to liabilities	<u>-</u>	<u>-</u>
<b>18.4 DPLG</b>		
Balance unspent at the beginning of year	862 145	-
Current year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	<u>(5 684 236)</u>	<u>(3 137 855)</u>
Conditions met - transferred to liabilities	<u>177 909</u>	<u>862 145</u>
<b>18.5 THETHA</b>		
Balance unspent at the beginning of year	-	-
Current year receipts	705 000	-
Conditions met - transferred to revenue	<u>(614 760)</u>	<u>-</u>
Conditions met - transferred to liabilities	<u>90 240</u>	<u>-</u>

XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<b>19 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>19.1 Contributions to organized local government</b>		
Opening balance	-	-
Council subscriptions	120 000	36 845
Amount paid - current year	(120 000)	(36 845)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>19.2 Audit Fees</b>		
Opening balance	-	-
Current year audit fee	822 123	1 277 444
Amount paid - current year	(822 123)	(1 277 444)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>19.3 VAT</b>		
Opening balance	128 289	(3 400 135)
Movement in control account	685 380	4 649 820
VAT received/paid during the year	(605 490)	(1 121 397)
<b>Balance unpaid (included in debtors)</b>	<u>208 178</u>	<u>128 289</u>
All VAT returns have been submitted by the due date throughout the year		
<b>19.4 PAYE</b>		
Opening balance	-	-
Current year payroll deductions	1 221 761	1 456 916
Amount paid - current year	(1 071 518)	(1 456 916)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>150 243</u>	<u>-</u>
<b>19.5 Pension and Medical Aid Deductions</b>		
Opening Balance	-	-
Current year payroll deductions	565 909	844 681
Amount paid - current year	(565 909)	(844 681)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
<b>19 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
<b>19.6 Current Account (Primary Bank Account)</b>		
ABSA Bank - Bloemfontein Branch Account number: 4053628182		
Cash book balance at beginning of year - (overdrawn)	1 773 760	466 415
Cash book balance at end of year - (overdrawn)	<u>512 487</u>	<u>1 773 760</u>
Bank statement balance at beginning of year - (overdrawn)	1 181 879	749 866
Bank statement balance at end of year - (overdrawn)	<u>512 487</u>	<u>1 181 879</u>
<b>20 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for	<u>669 077</u>	-
	<u>669 077</u>	-
This expenditure will be finance from:		
- Internal sources	150 000	-
- External sources	<u>519 077</u>	-
	<u>669 077</u>	-
No amounts were budgeted for capital expenditure for 2007/8 financial year		
<b>21 CONTINGENT LIABILITY</b>		
No information was available for contingent liabilities		
<b>22 RETIREMENT BENEFITS</b>		
The Free State Municipal Pension Fund is subject to the Pension Fund Act of 1956. Pensions are calculated on the average annual pensionable emolument of the two years immediately prior to retirement. Current contributions are charged against income. Beneficial experience adjustments are retained in the retirement benefit plan and applied to improvement of benefits to the employees. Full actuarial valuations are performed at intervals of three years in respect of the Free State Municipal Pension Fund. An actuarial valuation of the provident fund is not compulsory in terms of legislation. Details of the actuarial valuation could not be obtained at the time financial statements were completed.		
<b>23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
	R	R
<b>23.1 Irregular expenditure</b>		
Reconciliation of irregular expenditure	-	-
Opening balance	-	-
Irregular expenditure current year	-	1 793 843
Approved or condoned by council	<u>-</u>	<u>1 793 843</u>
<b>23.2 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure	(3 028 987)	-
Opening balance	3 028 987	-
Unauthorised expenditure current year	554 110	3 028 987
Approved or condoned by council	<u>554 110</u>	<u>3 028 987</u>
<b>24 RELATED PARTY TRANSACTIONS</b>		
There were no related party transactions and balances at the end of the financial year.		
<b>25 CONTINGENT LIABILITIES</b>		
There were no contingent liabilities at the end of the financial year.		

**XHARIEP DISTRICT MUNICIPALITY**

**FINANCIAL STATEMENTS**

**APPENDIX A: STATUTORY FUNDS, RESERVES AND TRUST FUNDS AS ON 30 JUNE 2009**

	<b>Balance on 01-07-08</b>	<b>Net surplus/ (deficit)</b>	<b>Interest on investment</b>	<b>Other income</b>	<b>JNL Operating expenditure during the year</b>	<b>Balance Surplus/ (deficit) 30-06-09</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>STATUTORY FUNDS</b>						
Capital Development Fund	(1 012 380)	-	-	-	1 012 380	-
	<u>(1 012 380)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 012 380</u>	<u>-</u>
<b>RESERVES</b>						
Motheo Asset Share Reserve	5 861 916	-	-	-	-	5 861 916
	<u>5 861 916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5 861 916</u>
<b>TOTAL</b>	<u>4 849 536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 012 380</u>	<u>5 861 916</u>

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**APPENDIX B FIXED ASSETS**

<b>Expenditure 2008</b>	<b>Services</b>	<b>Budget 2009</b>	<b>Balance on 01-07-08</b>	<b>Expenditure during the year</b>	<b>Corrections or written off</b>	<b>Balance on 30-06-09</b>
<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>RATES AND</b>					
5 263	<b>GENERAL SERVICES</b>	669 077	17 901 884	669 077	317 006	18 887 967
5 263	<b>Community services</b>	669 077	17 901 884	669 077	317 006	18 887 967
5 263	Councillors	-	167 848	48 324	-	216 172
-	Municipal Manager	-	5 263	43 534	-	48 797
-	Corporate Services	-	-	21 838	-	21 838
-	Directorate Financial Services	669 077	17 728 773	555 381	317 006	18 601 160
5 263	<b>TOTAL FIXED ASSETS</b>	669 077	17 901 884	669 077	317 006	18 887 967
	<b>LESS: LOANS REDEEMED AND</b>					
-	<b>OTHER CAPITAL RECEIPTS</b>	(669 077)	(17 901 884)	(669 077)	(317 006)	(18 887 967)
-	Contributions ex operating income	(150 000)	(14 003 362)	(160 356)	(317 006)	(14 480 724)
-	Grants and Subsidies	(519 077)	(3 898 522)	(508 721)	-	(4 407 243)
5 263	<b>NET FIXED ASSETS</b>	-	-	-	-	-



XHARIEP DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS

APPENDIX C: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

2008 Actual		2009 Actual	2009 Budget
R		R	R
13 233 922	<b>Grants and subsidies</b>	<b>17 016 527</b>	17 004 000
7 733 922	Equitable share	<b>9 614 005</b>	9 614 000
1 000 000	MSIG	<b>603 527</b>	735 000
-	Thetha Grant	<b>614 760</b>	705 000
500 000	Financial Management Grant	<b>500 000</b>	500 000
-	Umsobomvu Youth	-	450 000
4 000 000	DPLG	<b>5 684 235</b>	5 000 000
1 513 104	<b>Operating income</b>	<b>1 045 227</b>	1 339 708
255 214	- Rental Income	<b>235 776</b>	600 000
1 257 890	- Interest and other income	<b>809 451</b>	739 708
<u>14 747 026</u>	<b>Total Income</b>	<u><b>18 061 753</b></u>	<u>18 343 708</u>
	<b>EXPENDITURE</b>		
9 261 983	Salaries, wages and allowances	<b>8 328 344</b>	9 842 055
8 512 597	General expenses	<b>6 330 807</b>	7 902 596
262 037	Repairs and maintenance	<b>297 935</b>	449 057
10 526	Contributions to fixed assets	<b>160 356</b>	150 000
<u>18 047 144</u>	<b>Total expenditure</b>	<u><b>15 117 441</b></u>	<u>18 343 708</u>

XHARIEP DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS

APPENDIX D: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income	2008 Actual expenditure	2008 surplus / (deficit)		2009 Actual income	2009 Actual expenditure	2009 surplus / (deficit)	2009 Budget surplus / (deficit)
R	R	R		R	R	R	R
			<b>RATES AND GENERAL SERVICES</b>				
14 747 026	18 047 144	(3 300 117)		18 061 753	15 117 441	2 944 312	(0)
14 747 026	18 047 144	(3 300 117)	<b>Community services</b>	18 061 753	15 117 441	2 944 312	(0)
-	3 247 875	(3 247 875)	Council General Expenses	-	2 637 450	(2 637 450)	(4 224 967)
-	5 660 377	(5 660 377)	Municipal Manager	-	3 779 718	(3 779 718)	(7 774 918)
-	4 097 740	(4 097 740)	Directorate Corporate Services	-	4 478 060	(4 478 060)	(3 156 604)
-	357 417	(357 417)	Directorate Community Services	-	-	-	-
-	-	-	Directorate PMU	-	-	-	-
-	4 655 456	(4 655 456)	Directorate Finance	-	4 222 212	(4 222 212)	(3 187 220)
-	28 280	(28 280)	Directorate PIMS Center	-	-	-	-
14 747 026	-	14 747 026	Income Division	18 061 753	-	18 061 753	18 343 708
<b>14 747 026</b>	<b>18 047 144</b>	<b>(3 300 117)</b>	<b>TOTAL</b>	<b>18 061 753</b>	<b>15 117 441</b>	<b>2 944 312</b>	<b>(0)</b>
		6 451 028	Appropriation for the year			(1 345 077)	
		<b>3 150 911</b>	<b>Net surplus/(deficit) for the year</b>			<b>1 599 235</b>	
		-	Adjustment to prior year financial statements (Refer to note 10)			-	
		(333 847)	Accumulated surplus / (deficit)at begining of year			<b>2 817 064</b>	
		<b>2 817 064</b>				<b>4 416 299</b>	

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**APPENDIX E: STATISTICAL INFORMATION**

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	<b>2009</b>	2008
<b>Statistical Information</b>		
<b>General information</b>		
Population	135 245	135 245
Number of local bodies		
Local Authorities	<b>3</b>	3
Number of Employees	<b>42</b>	42

**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND  
THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF XHARIEP DISTRICT MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the Xhariep District Municipality which comprise the balance sheet as at 30 June 2009, income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 72.

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

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with 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 the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for disclaimer of opinion**

**Accumulated surplus / deficit**

4. I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness, valuation and allocation of the accumulated surplus of R4 416 299 (2008: R2 817 064) as presented in the Balance Sheet. Included in the accumulated surplus is appropriations as disclosed in note 10 to the financial statements amounting to R1 345 077 of which R491 622 (2008: R6 451 028) sufficient appropriate audit evidence could not be obtained. These appropriations were in respect of the transactions to write off the suspense accounts. In the absence of supporting documents, alternative audit procedures could not be performed as there was no system of control, over suspense accounts and therefore no confirmation

could be obtained that these prior period errors were accurate, completely adjusted and presented in the financial statements.

### **Income**

5. Sufficient appropriate audit evidence could not be obtained to confirm the completeness, occurrence and accuracy of income amounting to R18 016 753 (2008: R14 747 026) as presented in the income statement due to the following:
  - (a) Registers for direct income received could not provide sufficient appropriate audit evidence in support of rental income amounting to R235 776 (2008: R255 214) as recorded in the income statement. Reconciliations were not prepared between the rental income according to the registers and the general ledger on a monthly basis; consequently I could not confirm the completeness of income disclosed.
  - (b) Included in interest and other income amounting to R1 257 890 as presented in the income statement of the prior year is an amount of R96 950 which could not be confirmed against appropriate audit evidence. In the absence of supporting documentation, the entity's records did not permit the application of alternative audit procedures to confirm accuracy and completeness thereof.
  - (c) Receipts amounting to R40 706 in the prior year could not be traced to a deposit slip or the bank statements. In the absence of supporting documentation and the lack of the reconciliation between the deposit slips and the bank statements, no reasonable alternative audit procedures could be performed.
  - (d) Included in income as presented in the income statement is an invoice relating to the prior year amounting to R24 596 that was erroneously recaptured in the general ledger in the current year resulting in overstatement of income and debtors.
  - (e) The applicable basis of accounting requires that when the conditions of the conditional grant are met, the expenditure incurred is transferred to expenditure in the income statement and the income equal to expenditure incurred during the financial year is recognised. The total amount of the grant in the prior year was recognised resulting income and expenditure in the prior year being overstated with an amount of R862 145 as the conditions of the grant was not fully met.

### **Fixed assets**

6. The existence, completeness, rights of ownership, valuation and allocation of fixed assets as disclosed in note 3 to the annual financial statements amounting to R17 901 884 in the prior year could not be confirmed due detailed asset register containing information on the valuation, financing, physical condition and location of each asset as required by section 63(2)(c) of the MFMA was not maintained. A difference of R1 563 214 was identified between the fixed asset register and the amount according to the financial statements in the prior year. In the absence of updated fixed asset register, the entity's records did not permit the application of alternative audit procedures.

### **Cash on hand**

7. The existence, valuation and completeness of cash on hand as disclosed in the balance sheet and note 7 to the annual financial statements amounting to R1 773 760 in the prior year could not be confirmed. The cash book balance

amounting to R1 010 055 in the prior year bank reconciliation did not agree to the general ledger and the annual financial statements. The difference of R763 705 was identified between the bank reconciliation and the financial statements of which management could not provide the information and explanations I considered necessary to confirm the accuracy of the balance as disclosed in the financial statements and I could not perform reasonable alternative audit procedures. Accordingly, I was unable to determine whether any adjustments might have been necessary to cash on hand as disclosed in the financial statements.

### **Provisions**

8. A provision for leave amounting to R134 132 in the prior year as disclosed in the balance sheet and note 8 to the financial statements could not be confirmed due to supporting documentation for the calculation of leave provision which could be obtained. The entity's records did not permit the application of alternative procedures as management did not maintain adequate leave registers. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the existence, completeness, valuation and allocation of leave provision.

### **Expenditure**

9. The occurrence and accuracy of expenditure as presented in the Income Statement to the value of R18 047 144 in the prior year could not be confirmed due to supporting documentation to the value of R792 322 that could not be provided by management. In the absence of supporting documentation, the entity's records did not permit the application of alternative audit procedures. Accordingly, I was not able to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for expenditure.

### **Commitments**

10. As disclosed in note 20 to the financial statements is a capital commitment amounting to R669 077. It was identified during the audit that this commitment relates to prior year; consequently commitments as disclosed were overstated by the same amount.

### **Irregular expenditure**

11. As disclosed in note 23.1 to the financial statements, irregular expenditure for the prior year to the amount of R1 793 843 incurred as a result of expenditure incurred by the municipality which was contrary to the legislation. In the current year, irregular expenditure was identified during the audit amounting to R1 241 424 due to expenditure incurred by the municipality which was contrary to the legislation and was not disclosed in the note to the financial statements. This irregular expenditure was again not prevented or detected by the municipality's system of internal control.
12. I could not be provided with sufficient, appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the year under review. There were no satisfactory

alternative audit procedures that I could perform to confirm the completeness of irregular expenditure as disclosed.

### **Unauthorised expenditure**

13. As disclosed in note 23.2 to the financial statements, unauthorised expenditure to the amount of R554 110 (2008: R3 028 987) was incurred. Audit determined unauthorised expenditure as R2 316 674 and consequently unauthorised expenditure was not completely disclosed.

### **Disclaimer of opinion**

14. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Emphasis of matter**

I draw attention to the following matter on which I do not express a disclaimer of opinion:

### **Basis of accounting**

15. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.1.

### **Other matters**

I draw attention to the following matter(s) that relate(s) to my responsibilities in the audit of the financial statements:

### **Unaudited supplementary schedules**

16. The supplementary information set out on pages 73 to 77 does not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **Non-compliance with applicable legislation**

#### **Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA)**

17. The accounting officer did not table in the municipal council within 30 days after the end of each quarter, a consolidated report of all withdrawals or payments made in terms of section 11(4)(a) of the MFMA.
18. The municipal council did not consider approval of the budget at least 30 days before the start of the budget year as required by section 24(1) of the MFMA.
19. The mayor did not submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality within 30 days of the end of each quarter as required by section 52(d) of the MFMA.
20. The mid-budget report was not submitted to the council by the 31<sup>st</sup> of January 2008 as required by section 54(1) of the MFMA.

21. Not all written employment contracts could be obtained as required by section 57(1)(a) of the MFMA.
22. Payments amounting to R234 935 were found not to be made within 30 days after receipt of the suppliers invoice which is in contravention with section 65(2)(e) of the MFMA.

**Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA)**

23. The performance agreement between the accounting officer and the executive mayor could not be obtained, therefore I could not confirm whether the requirements of section 57(1)(b) of the MSA were complied with.
24. Updated tariff policy could be obtained for the rental of the municipality's buildings as required by section 74 of the MSA.

**Municipal Structures Act, 1998 (Act No. 117 of 1998)(MSA)**

25. The municipal council did not meet quarterly as required by section 18(2) of the Municipal Structures Act.

**Governance framework**

26. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

**Internal control deficiencies**

27. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4	Accumulated surplus				1	
5	Income	7				
6	Fixed assets			3		
7	Cash on hand			3		
8	Provisions			3		
9	Expenditure				1	



10	Commitments	7				
11	Irregular expenditure					1
12	Unauthorised expenditure	5				

### Overall reflections on the governance framework based on internal control deficiencies

28. Amongst finance staff there was a general lack of understanding of the accounting framework. The municipality is experiencing difficulties in attracting officials with relevant skills and expertise in the accounting environment, consequently the positions in the finance section are filled by the interns. The municipality managed to address the matters that were raised in the prior year qualifications in the current year but did not manage to correct the matters retrospectively which resulted in the disclaimer of opinion. The issues that could not be resolved relates predominantly to legacy issues.
29. The chief financial officer did not sufficiently monitor the recording and reconciliation of the financial records as he was the only section 57 manager appointed by the municipality and was taking the responsibility of fulfilling the responsibilities of the vacant positions. The position of the Municipal manager was vacant since October 2006 and the position was only filled in May 2009. During this period, there was leadership instability as the incumbents were rotated on a frequent basis. The Chief Financial Officer was suspended by the previous Acting Municipal Manager from April 2008 to September 2008 after he exposed the irregularities by the Acting Municipal Manager which also resulted in internal controls to collapse. The municipal council did not have a functioning oversight due to political instability in the municipal council.

<b>Legend</b>	
<b>CE = Control environment</b>	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related	7

matters.	
<b>RA = Risk assessment</b>	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which in turn are not linked to an effective reward system.	7
<b>IC = Information and communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

## Key governance responsibilities

30. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	X	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.		X
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	X	
<b>Development of and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>		X
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		X
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		X
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>		X
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		X
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		X
8.	There are no significant deficiencies in the design and		X

No.	Matter	Y	N
	implementation of internal control in respect of financial and risk management.		
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		X
12.	Powers and duties have been assigned as set out in section 79 of the MFMA.	X	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	X	
14.	SCOPA resolutions have been substantially implemented.	X	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Xhariep District Municipality against its mandate, predetermined objectives, outputs, indicators and targets in accordance with section 68 of the MFMA.		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

**Include overall reflections on the governance framework based on other key governance requirements**

31. The financial statement were subject to material amendments resulting from audit because the municipality engaged the consultants in preparing the financial statements and the underlying accounting records of the municipality did not facilitate the preparation of the financial statements to comply with the accounting framework.

32. Although the accounting officer prioritised the appointment of the audit committee members and filling the position in the internal audit unit, challenges were experienced in attracting suitable candidates with relevant skills and expertise.
33. The position of the risk officer was vacant during the period under review which resulted in risk assessment and monitoring of compliance with laws and regulations not being conducted due to challenges of attracting suitable candidates and non existence of the internal audit unit.

### **Investigations**

34. An investigation is being conducted to investigate the 2003/2004 audit report of the Auditor General. The investigation was completed but the report was still not available at the reporting date.

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

### **Report on performance information**

35. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

36. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

37. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
38. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
39. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

### **Findings on performance information**

### **Non-compliance with regulatory requirements**

### **No reporting of performance information**

40. The annual report of the Xhariep District Municipality did not include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA. Key performance indicators were not identified in the IDP due to lack of funding,

consequently there were not projects undertaken by the municipality during the period under review.

#### **No integrated development plan or service delivery**

41. The Xhariep District municipal council did not, within the prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality, as required by section 25 of the MSA.
42. The Xhariep District municipal council did not, within the prescribed period after the start of its elected term, adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan, as required in terms of section 28 of the MSA.

#### **Lack of adoption or implementation of a performance management system**

43. The Xhariep District Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

#### **No mid-year budget and performance assessments**

44. The accounting officer of the Xhariep District Municipality did not by 25 January 2009 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA. The review findings mainly resulted from the council which was not sitting due to political and leadership instability.

#### **APPRECIATION**

45. The assistance rendered by the staff of the Xhariep District Municipality during the audit is sincerely appreciated.

*Auditor-General*  
Bloemfontein

3 December 2009

