

2012/2013

XHARIEP DISTRICT MUNICIPALITY

# ANNUAL REPORT

## Volume I

Version 4:23 July 2012

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# Preface

## PROPOSED REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. It replaces a template dating back to August 2003.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others.

Notes are included throughout the format to assist the compiler to understand the various information requirements. Once the draft has been finalised, training will be provided to facilitate the implementation of this initiative, and separate additional guidance may be issued if necessary.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

MFMA Implementation Unit, National Treasury

October 2009

# Chapter 1

## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

#### MAYOR’S FOREWORD

I have great pleasure to introduce the 2012/2013 Annual Report of the Xhariep District Municipality, which is both a legislative and accountability requirement. In terms of Section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003, the Municipality must prepare an annual report for each financial year and the Executive Mayor must table such report in Council within seven months after the end of each financial year. This Annual Report is a culmination of the implementation of the Council’s adopted Integrated Development Plan and Budget and Service Delivery and Budget Implementation Plan for the 2012/13 financial year.

This Report presents the institution’s achievements and challenges in working smarter and better in improving service delivery and development also in line with our vision:

*“ To realize a district municipality that is financially viable with political and administrative sound capacity and be able to provide sustainable, efficient, effective and affordable service delivery in relation to developmental and governance principles”*

The Municipality’s progress in achieving its objectives in all five key performance areas will be outlined in this Annual Report. The key performance areas are as follows:

- Basic service delivery and infrastructure development
- Municipal financial viability and management
- Municipal transformation and organisational development
- Local economic development
- Good governance and public participation

Key achievements over the past financial year(2011/2012) period include the following:

- Received an unqualified auditopinion (with matters of emphasis) from the Auditor-General
- Developed good and sound financial systems (Internally)

# Chapter 1

- Managed to recruit high quality and qualified staff
- Developed and capacitated municipal employees at all levels
- Aligned municipal organisational structure with powers and functions of the Municipality
- Well developed institutional policies
- Supported and promoted Small Medium Micro Enterprises (SMME's)
- Established corporatives with the District
- Established LED forums
- Created labour intensive projects (fencing of cemeteries, renovations, cleaning and greening of towns etc)
- Sound administrative and political environment
- Established all Section 79 and 80 Committees
- Established shared service functions (Audit Committee and Risk Management)
- Consulted communities on IDP and Budget processes

Despite the notable progress made during the 2012/13 financial year, the Municipality is acutely aware of the many challenges that await, as listed below.

- Establishment of fully functional Disaster Management Centre
- Full operation of Arts and Craft Centre
- Improvement of Audit Opinion
- Improvement of the Internal Streets
- Food Security
- Waste Management

I would like to express my sincere gratitude to all Councillors, officials, the communities of Xhariep District Municipality and stakeholders for their contribution to the progress made for the year under review.

(Signed by : ) \_\_\_\_\_

Mayor/Executive Mayor

T 1.0.1



# Chapter 1

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### MUNICIPAL MANAGER'S OVERVIEW

This annual report draws a curtain on the 2012/2013 financial year of the Xhariep District Municipality. It accounts for the performance of the Municipality against the strategic plan (Integrated Development Plan) for 2012 - 2016, during the first year of implementation.

The report reflects the key milestones achieved by the Municipality in its quest to improve the living conditions of the populace of Xhariep District, through the delivery of good quality services, support of local municipalities and co-ordinations of programmes within the District. Most importantly, the report also reflects the Municipality limitations and constraints encountered during the reporting period, which will have to be addressed going forward.

The trust that the citizenry of Xhariep District have placed in the municipal health system cannot be betrayed. Hence the Municipality spares no effort in ensuring that the municipal health sector continuously enhances the quality of the services it offers. At a legislative level, key pieces of by-laws were developed in collaboration with the Free State Provincial Department of Cooperative Governance, Traditional Affairs and Human Settlement in 2012/13, with the intention to promote municipal health and to strengthen the functioning of the system. These include the Standard District Municipal Environmental Health By-Law, Standard Environmental Health By-Law and Dumping and Littering By-Law.

Despite the financial challenges that the Municipality is faced we managed to assist some members of the community to establish a corporative and purchase for them shoe making machinery which is located at the Xhariep District Municipal Arts and Craft Centre. The intention of the project is to empower our people with skills in order for them to create work opportunities for themselves. The Municipality further implemented the following Local Economic Development (LED) related projects which were embedded in the Integrated Development Plan (IDP) i.e. agricultural projects and Expanded Public Work Projects.

We will continue to improve our IDP to ensure that it is reflective of community needs and is credible. Furthermore, we will also continuously review our organizational structure to ensure that it is in line with the new political and legislative mandate and our service delivery targets. Interventions have been initiated to ensure that our municipality and indeed the functionality of the whole administration constantly improve. Appropriate administrative systems, structures and procedures are being improved so that we can make an even bigger dent in poverty and unemployment, in line with national service delivery targets. We will continue to work together with all other spheres of government in finding solutions to the challenges confronting us.

For the Municipal Council to pass we had to mandate the Executive Mayor and the Municipal Manager to request the Provincial Government, in particular, the Department of Cooperative Governance, Traditional and Human Settlement to grant us extra funding so that we could approve a budget without a deficit. It would be desirable and appreciated if the formula of funding local sphere of government is changed in order to favour municipalities who are in similar situation like Xhariep District Municipality – who are poor and depended on National Government grant.

My gratitude goes to the Municipal Council, the Executive Mayor, Heads of Department as well as to all employees who assisted the Municipality to steer the ship to provide quality services to our community.

# Chapter 1

(Signed by :) \_\_\_\_\_

Municipal Manager

T1.1.1

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

Out of 16 district functions, Xhariep district municipality is performing 7.89% of these functions.

Xhariep District was estimated at a population of approximately 164 000 people in 2007. According to the 2011 Census statistics, its population size has declined with a lesser average of 2.21% per annum since 2007 to 2011,). The current district's population is at 145 742 people as per the 2011 census survey statistics.

During the economic summit that was organized by the Xhariep Municipality in order to pull together different stakeholders and to collaborate on a shared vision and programme to address regional economic development challenges. The following key economic priority sectors were identified to have potential and needing to be further developed to support objectives of economic growth and job creation in the district:

- Agriculture & Farming
- Winery
- Mining
- Tourism
- SMME development

The summit resolved on the following key points. In order to sustain economic growth and development, the following activities would have to be pursued: The municipality will strive to engage all Sectors, Public and Private Partners to enhance agricultural activities, especially for emerging farmers.

Local municipalities will avail land for agricultural purposes with the involvement of the Departments: Agriculture, Land Affairs and the Land Bank. Local Economic Desk Coordinators will be appointed to support communities with Local Economic Development matters.

Municipalities will liaise with SETA's and various government departments, like the Department of Labour, Gogta, etc. to capacitate/ train communities, including personnel in various sectors on various Local Economic Development related fields. Municipalities will lobby for and access funding from various government departments, (like the Department of Cooperative Governance and Traditional Affairs, Economic, Environmental Affairs and Tourism), including the private sector (e.g. banks, NGO's and other funding organizations)

# Chapter 1

[Municipalities to lobby for funding continuously, Municipalities will lobby for and access funding from various government departments, (like the Department of Cooperative Governance and Traditional Affairs, Economic, Environmental Affairs and Tourism), including the private sector (e.g. banks, NGO's and other funding organizations) - [Municipalities to lobby for funding continuously, especially after prioritization of projects in the IDP, which should take place by October each year]; and

Municipalities will ensure that information is disseminated to various communities, with the involvement of Community Liaison Officers and GCIS – [Municipalities to disseminate information (e.g. Newsletters) to communities once a month.

In order to build capacity of SMMEs and to provide them with effective support, the following responsibilities will have to be performed by the various stakeholders:

- Xhariep Municipality will ensure that coordinated activities are carried out monthly in strengthening capacity of SMMEs in the region [LED Forums will be established in each municipality and monthly meetings held].

- Funding will be accessed and secured from relevant departments and the private sector (Banks, Ntsika, Khula, NYDA, etc.) to capacitate SMMEs [A District Funding Facilitation Team will be established and monthly meetings held to monitor progress].

- Negotiations will be made by municipalities and the Department of Agriculture to access land for agricultural activities and Land Bank for funding.

- The Marketing Strategy for the district will be implemented to ensure community and business involvement in Local Economic Development initiatives [LED Forums to sit monthly to ensure coordination and functionality of various businesses, especially SMMEs and NGOs].

Municipalities will ensure that a percentage of all business ventures/ tenders is awarded to SMMEs – [Quarterly meetings to be held by the Procurement or Tender Committees to assess impact and monitor progress in terms of this resolutions, including implementations of Procurement Policies of the municipalities].

Xhariep Municipality will ensure that a Youth Chamber is established and functional

T 1.2.1

# Chapter 1

## POPULATION AND ENVIRONMENTAL OVERVIEW

The tables below illustrates population demographics in the Xhariep District

Population Details									
Population '000									
Age	Year - 1			Year 0			Year 1		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0-14	25 189	25 022	50 211	26 189	26 241	52 430	22 734	22 250	44 984
Age: 15-64	42 333	43 860	86 193	49 859	50 762	100 621	45 309	46 692	92 001
Age: 65+	3 304	5 117	8 421	3 699	5 976	9 676	3 615	5 658	9 273
Source: Statistics SA									T1.2.2

## SOCIO ECONOMIC STATUS: Economically Active Population per local municipality

Local Municipality	Number	Percentage (%)
Kopanong	19472	29.54
Letsemeng	16639	30.53
Mohokare	12110	32.63
Naledi	8067	27.38
T.124		

Data Source: STATSSA (Census 2011 Survey)

# Chapter 1

## OVERVIEW OF NEIGHBOURHOODS WITHIN (NAME OF MUNICIPALITY)

Type of dwellings	FS161: Letsemeng	FS162: Kopanong	FS163: Mohokare	FS164: Naledi
House or brick/concrete block structure on a separate stand or yard or on a farm	9016	13904	9027	6309
Traditional dwelling/hut/structure made of traditional materials	17	57	74	34
Flat or apartment in a block of flats	63	80	62	35
Cluster house in complex	12	11	5	42
Townhouse (semi-detached house in a complex)	36	31	1	9
Semi-detached house	76	20	97	106
House/flat/room in backyard	133	197	103	15
Informal dwelling (shack; in backyard)	634	475	838	662
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	1179	739	483	436
Room/flat let on a property or larger dwelling/servants quarters/granny flat	22	51	55	10
Caravan/tent	5	6	9	-
				T1.2.6

# Chapter 1

Natural Resources	
Major Natural Resource	Relevance to Community
Water (Gariiep Dam)	Supply of water to households and generation of electricity.
Diamonds(Jaggersfontein and Koffiefonten)	Job creation, Revenue enhancement, Economic development, human settlement.
Uranium(Edenburg)	Job creation, Revenue enhancement, Economic development, human settlement
Land	Job creation through farming and settlement of communities
Sun (Radiation energy)	Job creation through erection of solar hubs
T1.2.7	

## COMMENT ON BACKGROUND DATA:

The District faces various challenges ranging from widespread poverty to service delivery and infrastructure backlogs. It is estimated that almost 80% of the District residents live in poverty; worsened by a high unemployment rate of approximately 26.80%. Backlogs in service delivery are experienced in the following areas: water delivery and sanitation. The main contributors to the area's economy are agriculture, which generates approximately 28% of GVA; public service and administration 26%; services and retail 17%; and construction 8%.

T1.2.8

## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

The district municipality has started to perform the functions of Environmental Health and Disaster Management with effect from December 2009. Critically, the Municipal Structures Amendment Act (Act 33 of 2000) provides for an extensive annual review of the division of powers and functions between Category B and Category C to ensure effective implementation of these assigned powers following an advice provided by the Municipal Demarcation Boarding emanating from the Boards' annual capacity assessment report.

T1.3.2

# Chapter 1

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The municipality at large does not have a revenue base as it solely depends on grants from other spheres of government and that is putting a strain on the finances of the municipality as only a few projects can be carried out in a financial year. T1.4.1

# Chapter 1

Financial Summary						
R' 000						
Description	Year 0	Current Year: Year 1			Year 1 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates					%	%
Service charges					%	%
Investment revenue	731	165	256	284	71,57%	10,92%
Transfers recognised - operational	88 276	64 875	69 319	40 588	-37,44%	-41,45%
Other own revenue	1 871	485	526	505	4,08%	-3,93%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>90 879</b>	<b>65 526</b>	<b>70 101</b>	<b>41 377</b>		
					-36,85%	-40,97%
Employee costs	24 586	32 057	29 672	30 159	-5,92%	1,64%
Remuneration of councillors	2 895	3 114	3 010	3 318	6,56%	10,25%
Depreciation & asset impairment	2 317	-	-	14 426	100,00%	100,00%
Finance charges	308	106	86	287	170,28%	231,54%
Materials and bulk purchases					%	%
Transfers and grants					%	%
Other expenditure	37 956	26 492	35 148	22 556	-14,86%	-35,83%
<b>Total Expenditure</b>	<b>68 061</b>	<b>61 769</b>	<b>67 917</b>	<b>70 745</b>	<b>14,53%</b>	<b>4,16%</b>
				(29)		-
<b>Surplus/(Deficit)</b>	<b>22 817</b>	<b>3 757</b>	<b>2 184</b>	<b>368</b>	<b>-881,63%</b>	<b>1444,52%</b>
Transfers recognised - capital					%	%
Contributions recognised - capital & contributed assets					%	%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>22 817</b>	<b>3 757</b>	<b>2 184</b>	<b>(29) 368</b>	<b>-881,63%</b>	<b>1444,52%</b>
Share of surplus/(deficit) of associate					%	%
<b>Surplus/(Deficit) for the year</b>	<b>22 817</b>	<b>3 757</b>	<b>2 184</b>	<b>(29) 368</b>	<b>%</b>	<b>%</b>
<b>Capital expenditure &amp; funds sources</b>						
Capital expenditure	-	-	-	-	%	%
Transfers recognised - capital	-	-	-	-	%	%



# Chapter 1

Public contributions & donations					%	%
Borrowing					%	%
Internally generated funds					%	%
<b>Total sources of capital funds</b>	-	-	-	-	%	%
<b><u>Financial position</u></b>						
Total current assets	29 898	-	-	3 729	%	%
Total non current assets	22 497	-	-	20 822	%	%
Total current liabilities	7 181	-	-	8 521	%	%
Total non current liabilities	673	-	-	879	%	%
Community wealth/Equity	-	-	-	-	%	%
<b><u>Cash flows</u></b>						
Net cash from (used) operating	16 283	61 418	73 485	(11 886)	-119,35%	-116,17%
Net cash from (used) investing	(6 181)	-	-	3 095	%	%
Net cash from (used) financing	(398)	-	-	(452)	%	%
<b>Cash/cash equivalents at the year end</b>	11 062	-	-	1 819	%	%
<b><u>Cash backing/surplus reconciliation</u></b>						
Cash and investments available	16 062	-	-	1 819	%	%
Application of cash and investments	-	-	-	-	%	%
<b>Balance - surplus (shortfall)</b>	16 062	-	-	1 819	%	%
<b><u>Asset management</u></b>						
Asset register summary (WDV)	-	-	-	-	%	%
Depreciation & asset impairment	2 317	-	-	14 426	100,00%	100,00%
Renewal of Existing Assets	-	-	-	-	%	%
Repairs and Maintenance	2 125	1 927	1 941	1 271	-34,02%	-34,50%
<b><u>Free services</u></b>						
Cost of Free Basic Services provided	-	-	-	-	%	%

# Chapter 1

Revenue cost of free services provided	-	-	-	-	%	%
<u>Households below minimum service level</u>						
Water:	-	-	-	-	%	%
Sanitation/sewera	-	-	-	-	%	%
Energy:	-	-	-	-	%	%
Refuse:	-	-	-	-	%	%
<i>*Note: surplus/(deficit)</i>						
						T1.4.2

Operating Ratios	
Detail	%
Employee Cost	42.63
Repairs & Maintenance	1.8
Finance Charges & Impairment	15.64
T1.4.3	

**COMMENT ON OPERATING RATIOS:**

Employee cost is excessively above the expected norm of 30%, repairs and maintenance significantly lower than the 20% norm and finance charges considerably lower than the 10% benchmark.

T1.4.3

# Chapter 1

Total Capital Expenditure: Year -1 to Year 1					
					R'000
Details		Year 0	Year 1		
		Actual	Original Budget (OB)	Adjustment Budget	Actual
<b>Source of finance</b>					
	External loans	0	0	0	0
	Public contributions and donations	0	0	0	0
	Grants and subsidies	88276020	64875444	69319153	40588152
	Other	2602621	650767	781687	788956
<b>Total</b>		<b>90878641</b>	<b>65526211</b>	<b>70100840</b>	<b>41377108</b>
<i>Percentage of finance</i>					
	External loans	0.00%	0.00%	0.00%	0.00%
	Public contributions and donations	0.00%	0.00%	0.00%	0.00%
	Grants and subsidies	97.10%	99.00%	98.90%	98.10%
	Other	2.90%	1.00%	1.10%	1.90%
<b>Capital expenditure</b>					
	Water and sanitation	0	0	0	0
	Electricity	0	0	0	0
	Housing	0	0	0	0
	Roads and storm water	0	0	0	0
	Other	7479589	4757606	7522892	1457514
<b>Total</b>		<b>7479589</b>	<b>4757606</b>	<b>7522892</b>	<b>1457514</b>
<i>Percentage of expenditure</i>					
	Water and sanitation	0.00%	0.00%	0.00%	0.00%
	Electricity	0.00%	0.00%	0.00%	0.00%
	Housing	0.00%	0.00%	0.00%	0.00%
	Roads and storm water	0.00%	0.00%	0.00%	0.00%
	Other	100.00%	100.00%	100.00%	100.00%
					T1.4.4

# Chapter 1

## COMMENT ON CAPITAL EXPENDITURE:

Capital expenditure is minimal and very insignificant (less than 10% of the budget) as the municipality does not have infrastructure assets under its jurisdiction by virtue of being a district municipality.

T 1.4.5.1

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organization Development (OD) is about improving performance at the individual, group, and Municipal organisational levels. It is about improving the organization's ability to effectively respond to changes in its external environment, and it's about increasing internal capabilities by ensuring the Xhariep District Municipal structures, human resources systems, job designs, communication systems, and leadership/managerial processes fully harness human motivation and help people function to their full potential.

Done well, such improvement can be transformational—producing fundamental changes in the way individuals, groups, and organizations functions.

T1.5.1

## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT YEAR 1

The municipality obtained a qualified audit opinion due to issues pertaining to commitments and the property, plant and equipment.

Non- compliance with Municipal Budget and Reporting Regulation Section 18(1) & 30(1)

Non- compliance with the provision of MFMA 32(4)

Non- compliance with municipal budget and reporting regulation section 26(1)

Non- compliance with municipal investment regulation 9(1)

# Chapter 1

T 1.6.1

# Chapter 1

## 1.7. STATUARY ANNUAL REPORT PROCESSES

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	December
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	

# Chapter 1

19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January
		T1.7.1

## COMMENTON THE ANNUAL REPORT PROCESS

It is very important for the municipality to abide to statutory requirements regarding annual reporting.

The objectives of performance reporting are-

To foster accountability for performance

To facilitate systematic review of performance in order to ensure rational decision-making about improvement actions and to provide a historical record of progress made with achieving the Municipality's development objectives. Xhariep District Municipality is not foreseeing any failure of complying with statutory requirements regarding the compilation of the annual report.

T1.7.1.1

# Chapter 2

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

The Municipal Council uses a governance system that applies executive mayoral system. It is consisted of fourteen (14) Councillors with an Executive Mayor, Speaker and three (3) Mayoral Committee members are full time.

The Speaker presides over Ordinary and Special Council meetings and is also designated as a full time Councillor. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meeting as determined in the Standard Rule and Orders.

The Executive Mayor has executive powers and attends to day to day duties of the Municipal Council; and the three Mayoral Committee Members assist him in executing some of his responsibilities. One of the responsibilities of the Executive Mayor is to present the Mayoral Committee reports before Council.

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Executive Mayor. . Other managers who have been appointed in terms of section 56 of the Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of three departments, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury Office and Planning and Social Development. These departments are headed by the section 56 Managers.

T2.0.1

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Municipal Council uses a governance system that applies executive mayoral system. It is consisted of fourteen (14) Councillors with an Executive Mayor, Speaker and three (3) Mayoral Committee members who are full time.

The Speaker presides over Ordinary and Special Council meetings and is also designated as a full time Councillors. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meeting as determined in the Standard Rule and Orders.

The Executive Mayor has executive powers and attends to day to day duties of the Municipal Council; and the three Mayoral Committee Members assist him in executing some of his responsibilities. One of the responsibilities of the Executive Mayor is to present the Mayoral Committee Reports before Council.

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Executive Mayor. Other managers who have



# Chapter 2

been appointed in terms of section 56 of the Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of three departments, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury Office and Planning and Development. These departments are headed by the section 56 Managers.

T2.1.0

## 2.1 POLITICAL GOVERNANCE

### INTRODUCTION TO POLITICAL GOVERNANCE

Note: MFMA S52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

The Council has established the following Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act:

Three Section 80 Committees that process items before they could be forwarded to the Mayoral Committee and eventually to Council i.e. Corporate Services Committee, Planning and Development Committee and Budget and Treasury Committee. Three Section 80 Committees that process items before they could be forwarded to the Mayoral Committee and eventually to Council i.e. Corporate Services Committee, Planning and Development Committee and Budget and Treasury Committee.

The different Departments of the Municipality prepare reports that are then submitted to the Section 80 Committees for deliberation. After the aforementioned Committees have processed the reports presented before them, they are forwarded to the Mayoral Committee for further processing. Thereafter these reports are taken to Council for consideration and adoption. Important to note is that the Section 80 Committees, Mayoral Committee and Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an Oversight Committee, which is composed of three members, one non executive Councillor, one community member and one member of the Internal Audit Committee; and the Council by playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting before the 25<sup>th</sup> of January of each year. Subsequent to this process it is forwarded to the Oversight Committee before the 31<sup>st</sup> March of each year for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Oversight Committee report are submitted to Departments of Treasury and Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

# Chapter 2

The Internal Audit Unit conducts audit throughout the year in terms of their audit plan and prepares Audit packs/reports that are then submitted to the Internal Audit Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations. Council then resolves on the findings of the Shared Audit and Performance Committee with the intention to order the administration to remedy the findings revealed by the aforesaid Committee.

T2.1.1

## POLITICAL STRUCTURE

*Photos*

Function

### MAYOR

Cllr M.G Ntwanambi

### DEPUTY MAYOR

N/A

### SPEAKER

Cllr M.J Sehanka

### CHIEF WHIP

Cllr V.A Mona

*Photos (optional)*

### MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE

Cllr V.A Mona: Chairperson of the Budget and Treasury Committee

Cllr MG Modise: Chairperson of the Corporate Services Committee

Cllr NI Mehlomakhulu: Chairperson of Planning & Social Development Committee

T2.1.1

## COUNCILLORS.

The Municipal Council of Xhariep District Municipality is consisting of sixteen (16) Councillors. Seven of the sixteen Councillors are directly elected and nine are seconded from the four local municipalities that fall within the jurisdiction of Xhariep District. The local municipalities have seconded the councillors to represent them at the Xhariep District Municipality, proportionate to the size of their municipal councils – they are represented as follows:

Kopanong Local Municipality - three Councillors

# Chapter 2

Letsemeng Local Municipality - two Councillors

Mohokare Local Municipality - two Councillors

Naledi Local Municipality - two Councillors

Five Councilors are full time i.e. the Executive Mayor, Speaker and three (3) Mayoral Committee members. Three members of the Mayoral Committee are designated as Chairpersons of Section 80 Committees. Both Budget and Treasury Committee and Planning and Social Development Committee are composed of five (5) members which includes the Chairperson of the Committee. The Corporate Services Committee is composed of four (4) members. Furthermore, it has established an oversight committee which is composed of five members, i.e. three Council members, one Community member and the Chairperson of the Shared and Performance Audit Committee.

T2.1.2

## POLITICAL DECISION-TAKING

The Section 80 Committees sit as per schedule of Council meeting to process the items placed before them and make recommendations to the Mayoral Committee. These items are further processed by the Mayoral Committee and forwarded to the full sitting of Council with recommendations. Then the Council pronounces itself on the issues presented before it. The decisions are taken by majority of members present at the meeting. Where members share a different view on an item under consideration, they vote on the matter, either by show of hands or through a secret ballot as stipulated in the Standing Rules and Orders of Council. All the Resolutions passed by the Council are implemented by the administration.

T2.1.3

## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA s60(b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act topolitical structures; political office bearers, and officials of the municipalityand any entity under the sole or shared control of the municipality.

The Municipal Manager and managers directly accountable to the municipal manager organize administration in a manner that enables the Municipality to be responsive to the needs of the community within its jurisdiction. The Municipal Manager is the accounting officer who accounts to the political head, Executive Mayor as well as Council. He further provides guidance and advice to the political structures and manage the administration of the institution.

# Chapter 2

The Director: Corporate Services administers the Department of Corporate Services and advises the Municipal Manager that relate to administration, human resources and information technology. The Chief Financial Manager on all matters that relates to human resources, governance/administration and information technology. Chief Financial Officer administers Budget and treasury Office and advice the Municipal Manager on matters that relate to the finances of the Municipality. The Director: Planning and Social Development is responsible for the affairs of the Department of Planning and Social Development and she advises and assists the Municipal Manager on all matters that relates to this department, i.e. planning, disaster management, local economic development and social services.

The Management meetings which are attended by top managers are convened from time to time to discuss administrative matters and get progress reports on the implementation of the Council resolutions. Extended Management meetings which are for top managers and middle managers are also called when there is a need.

T2.2.1

TOP ADMINISTRATIVE STRUCTURE		
<i>Photo</i>		<b>Function</b>
	<b>TIER 1</b>	
	<b>MUNICIPAL MANAGER</b>	
	Mr Tshemedi Lucas Mkhwane( Seconded to COGTA in February 2013)	
	<b>Acting MUNICIPAL MANAGERS: Mr</b>	
<i>Photo Executive Directors</i>	N.E Mokhesuoe	
	Mr MM Kubeka	
	<b>DEPUTY MUNICIPAL MANAGER: Title</b>	
	N/A	
	<b>TIERS 2 AND 3</b>	
<i>Directors Optional</i>	<b>EXECUTIVE DIRECTOR: Mr</b>	
	Mazondi Martiens Kubeka	
	DIRECTOR: Corporate Services	
	<b>EXECUTIVE DIRECTOR: Mr</b>	
	Nkoebele Elias Mokhesuoe	
	Director: Chief Financial Officer	
	<b>EXECUTIVE DIRECTOR: Mrs</b>	
	Makhotso Marjorie Seekoei	
	Director: Planning & Social Development	

# Chapter 2

Note: \* denotes officials on fixed term performance contracts reporting to the Municipal Manager under the Municipal Systems Act Section 57.

T2.2.2

## COMPONENTB: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Note: MSA S3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisage in the Constitution S41.

Intergovernmental relations are mainly informal, making the system flexible to respond to changing circumstances. The approach of the Act is therefore that it does not seek to govern intergovernmental relations in its totality but provides only the broad framework in terms of which spheres of government interact with one another.

T 2.3.0

## 2.3 INTERGOVERNMENTAL RELATIONS

### NATIONAL INTERGOVERNMENTAL STRUCTURES

The District does not participate in any national forums except participating in meetings when invited by national department.

T2.3.1

### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The District is part of the Premiers' Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The District also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (Salga).

# Chapter 2

T2.3.2

## RELATIONSHIPS WITH MUNICIPAL ENTITIES

The role of a district is to serve as a consultative forum for the district municipality and the local municipalities to discuss and consult each other on matters of mutual interest including, the matters arising in the Premiers intergovernmental forum affecting the district. The provision of service delivery in the district. Coherent planning and development in the district. Any other matters of strategic importance which affect the interests of the municipalities in the district. This include the information sharing ,best practice and capacity building.

T2.3.3

## DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. **District Coordinating Forum:** Forum consists of the Executive Mayor and 3 primary members of which is the Local Mayors.

### Technical Support Committee

Forum consists of the District Municipal Manager and 3 primary members (Local Municipal Manager). The forum must meet at least once per year with service providers and other role players concerned with the development in the district to co-ordinate effective provision of services and planning in the district.

T2.3.4

# Chapter 2

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

MSAS15 (b): requires a municipality to establish and organise its administration to facilitate and a culture of accountability amongst its staff. S16 (i): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. S18 (i) (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

The municipality has developed a comprehensive public participation strategy which is integrated in the development of the IDP and the Budget, the Municipal website is often used to publicise all the developments in the municipality including calls for public participation and comments on the IDP and Budget. After the adoption of the annual report the municipality also avails this document for public scrutiny as recommended by the MSA act 32 of 2000.

T 2.4.0

## 2.4 PUBLIC MEETINGS

### COMMUNICATION, PARTICIPATION AND FORUMS

#### SCOPE OF THE IDP AND BUDGET PRESENTATION

The presentation to the public and both stakeholders was structured in such a way that it summarises both the Budget and the IDP, the presentation covered topics such as

- Background of the Municipality
- Demographics
- Economic Analysis
- IDP projects
- Municipal Budget
- Equitable share comparison

In consideration with the mechanisms of effective public participation, the following processes and aspects were taken in consideration and were implemented as required were taken in consideration and were

# Chapter 2

implemented as required

## CONTEXT OF PUBLIC PARTICIPATION AS IMPLEMENTED

Four major functions can be aligned with the public participation process namely:

- ◆ Needs identification;
- ◆ Identification of appropriateness of proposed solutions;
- ◆ **Community ownership and buy-in; and**
- ◆ Empowerment.

## MECHANISMS FOR PARTICIPATION

The following mechanisms for participation were utilized:

### a) IDP Representative Forum (IDP RF)

This forum will represent all stakeholders and will be as inclusive as possible. Efforts will be made to bring additional organizations into the IDP RF and ensure their continued participation throughout the process.

### b) Media

Local newspapers were used to inform the community of the progress of the IDP and the Community consultation dates.

### c) Information sheets

These were prepared in English and be distributed to communities prior the start of all the meetings

#### The DM's Website

The DM's website was also utilized to communicate and inform the community. Copies of the IDP and Budget were placed on the website for people to download

T2.4.1



# Chapter 2

Public Meetings					
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Dates and manner of feedback given to community
Public consultation on Meetings	16-Apr-13	4	5	50+	IDP and Budget presentations
Public consultation on Meetings	18-Apr-13	3	5	50+	IDP and Budget presentations
Public consultation on Meetings	23-Apr-13	3	5	50+	IDP and Budget presentations
Public consultation on Meetings	25-Apr-13	1	5	50+	IDP and Budget presentations

T2.4.3

# Chapter 2

## COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

As per the requirements of the Municipal Systems act and the Municipal Finance Management Act the municipality has a series of outreach consultations including the IDP and Budget consultative sessions with the communities of the Xhariep District. The Municipal council has also adopted public participation strategy

The Local Government Municipal Management Act (MFMA, Act 56 of 2003) puts at the centre of this process the voice of the people. The MFMA calls for active participation and input from the public in the budgeting process as well as the alignment of the budget to the IDP

In order to ensure public participation in local governance, government has over time put in place various pieces of legislation and policies. The following are some of the legislative and policy provisions aimed at fostering public participation at local government level:

The Constitution – 1996

Municipal Structures Act & White Paper on Local Government – 1998

Municipal Systems Act-2000

Municipal Finance Management Act-2003

Municipal Property Rates Act-2004

Municipal Finance Management Act-2003

Guidelines for Operation of Ward Committees-2005

T2.4.3.1

# Chapter 2

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	T2.5.1

### COMPONENT D: CORPORATE GOVERNANCE

#### OVERVIEW OF CORPORATE GOVERNANCE

As the head of administration the Municipal Manager is responsible for the following tasks:

- The formation and development of an economical, effective, efficient and accountable administration.
- The management of the municipality's administration in accordance with legislation applicable to the municipality.
- The implementation of the municipality's integrated development plan.
- The management of the provision of services to the local community in a sustainable and equitable manner.
- The appointment of staff subject to the Employment Equity Act, 1998.

# Chapter 2

- The management, effective utilisation and training of staff.
- The maintenance of discipline of staff. The promotion of sound labour relations and compliance with labour legislation. Advising the political structures and political office bearers of the municipality.
- Managing communications between the municipality's administration and its political structures and political office bearers.
- Carrying out the decisions of the political structures and political office bearers of the municipality.
- The administration and implementation of the municipality's by-laws and other legislation.
- The exercise of any powers and the performance of any duties delegated by the municipal council.
- Facilitating participation by the local community in the affairs of the municipality.
- The implementation of national and provincial legislation.

T2.6.0

## 2.6 RISK MANAGEMENT

### RISK MANAGEMENT

Note: MFMA S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

Risk management in the municipality is a pro-active approach in mitigation events that will have a negative impact in the achievement of the municipal goals and objectives. The impact could be financial, physical and loss of life. 1. Procurement Risk, 2. Operational risks 3. IT risks, 4. Poor administration of leave 5. Irregular expenditure.

T2.6.1

# Chapter 2

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

Notes: See Chapter 4 details of Disciplinary Action taken on cases of financial mismanagement (T4.3.6). MSA 2000 S83(c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.

The municipality developed Fraud and Corruption Plan, Fraud and Corruption response Plan including Policy. Conduct workshop for all employees on the Fraud and corruption Plan and Policy. Conduct workshop on code of conduct.

T2.7.1

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

Note: MFMA S110-119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

Our current SCM policy has been reviewed to address Auditor-General queries and be in line with the National Treasury model. Workshop on the policy was conducted to employees on the 14<sup>th</sup> of February 2013 and should be approved by council in December 2013. As far as the processes are concerned, a **MEMO for DEMAND and ACQUISITION** has been developed by the municipality to **manage, control and monitor** procurement of goods and services. The **MEMO** is signed by the responsible manager to confirm the need of the service or product, the manager for Budget and Reporting Unit confirms the budget availability, relevant HOD recommends as well as the CFO and the Accounting Officer/Municipal Manager finally approves the **MEMO for DEMAND and ACQUISITION**. **Attached find a report on the SCM implementation checklist (circular 40) which indicates were the municipality is currently not complying. Remedial actions to correct the above: (a) Development of Supply Chain Management Implementation Plan for the current financial year, (b) Development of the Demand Management Plan/Procurement Calendar for the 2013/14 financial year approved by the Accounting Officer, (c) Development of Procurement Procedure Manual once the draft SCM Policy has been adopted by Council in December 2012.**

T2.8.1

# Chapter 2

## 2.9 BY-LAWS

By-laws introduced during year 1					
Newly developed	Revised	Public participation conducted prior to adoption of by-laws (Yes/No)	Date of public participation	By-law gazette Yes/No	Date of publication
Standard District Municipal Environmental Health		No	No	No	N/A
Standard Environmental Health By-Law		No	No	No	N/A
Dumping and Littering By-Law.		No	No	No	N/A
	Standard Rules and Orders	No	No	No	N/A

### COMMENT ON BY-LAWS:

The Provincial Department of Cooperative Governance, Traditional Affairs and Human Settlement has developed Standard By-Laws for all municipalities within Free State Province. Xhariep District Municipality has identified four By-Laws that are relevant to the District Municipality and were placed before the Municipal Council for noting. The administration then conducted public participation on the selected by-laws. The process of public participation has been concluded in August 2013; and the by-laws with comments from the communities would be placed before Council before December 2013 for consideration and finally for approval.

T2.9.1.1

# Chapter 2

## 2.10 WEBSITES

### COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The website of the Municipality was functional, however some documents were not placed on the website as dictated by MFMA. The people could access the Municipal website as it was functional.

T2.10.1.1

# Chapter 3

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### INTRODUCTION

The district municipality has started to perform the functions of Environmental Health and Disaster Management with effect from December 2009. Critically, the Municipal Structures Amendment Act (Act 33 of 2000) provides for an extensive annual review of the division of powers and functions between Category B and Category C to ensure effective implementation of these assigned powers following an advice provided by the Municipal Demarcation Board emanating from the Boards' annual capacity assessment report.

T3.0.1

Employees: Local Economic Development Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	2	2	3	0	0%
7 - 9	1	1	1	0	0%
Total					%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.11.



# Chapter 3

## 3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

### INTRODUCTION TO ECONOMIC DEVELOPMENT

Tourism in Xhariep is currently limited to a small number of domestic visitors from other parts of the country. The tourism location quotient (1.1) indicates that more tourism activities are evident in Xhariep compared to the rest of the Free State. The majority of tourists (65.9%) in Xhariep are visiting friends and family with only a small portion visiting the District for leisure (14.0%) and business (4.0%). Tourists are mainly residents of the Free State (50.1%) and Gauteng (19.6%) spending approximately R280 per trip.

Tourism is expected to grow through the construction of Mayor Projects that are currently underway like Trompsburg Hospital, Fish Demonstration Centre, upgrading of Tussen de Reviere, development of park and installation of machinery for shoe production at Arts and Craft Centre, this projects will influence other projects to be implemented like shopping complex and taxi rank as there will be a need in future. Maintenance of internal streets

New strategy for marketing the FS was developed and launched at Tourism Indaba 2013 Tourism Awareness Campaigns were conducted quarterly with the aim to educate and provide knowledge of opportunities within the tourism industry.

The performance of the utilities and construction sector reflects the provision of infrastructure within the District. The utility sector has grown on average at approximately 2.9% per year with the annual growth of the construction sector at approximately 0.4%. The location quotient of the utility and construction sector is relatively high at 1.1 and 1.2 respectively indicating that the district is has the required potential economic mass to render development in this sector viable.

T3.11.1

Economic Activity by Sector			
			R '000
Sector	Year -1	Year 0	Year 1
Agric, forestry and fishing		400 000	400 000
Mining and quarrying			0
Manufacturing		650	800
Wholesale and retail trade			0
Finance, property, etc.			0
Govt, community and social services			0
Infrastructure services	800 000	400 000	2m
Tourism			425 000

# Chapter 3

Total			
			T3.11.2

**COMMENT ON LOCAL JOB OPPORTUNITIES:**

Job opportunities that have been created were through the construction of Agricultural Demonstration Centre and fish ponds at the District level. The District has budgeted for infrastructural project out of the RRAMS grant allocation. Investments opportunities are solarhub project and pomegranate project. T3.11.4

<b>Jobs Created during Year 1 by LED Initiatives (Excluding EPWP projects)</b>				
<b>Jobs Created during Year 1 by LED Initiatives (Excluding EPWP projects)</b>				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
<b>Total (all initiatives)</b>				
Year -1	2600	2300	300	Projects
Year 0	688	681	7	Projects
Year 1	83	0	83	Projects
				T3.11.5

# Chapter 3

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
Year -1	2	51
Year 0	3	60
Year 1	4	65
* - <i>Extended Public Works Programme</i>		T3.11.6

# Chapter 3

Financial Performance Year 1: Local Economic Development Services					
					R'000
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>					
Expenditure:					
Employees		2 028 973.85	2 039 656.98	2 169 414.95	129 757.97
Repairs and Maintenance		0	0	0	0
Other		4 580 000	5 585 000	1 603 279	3 981 721
<b>Total Operational Expenditure</b>		<b>6 608 973.85</b>	<b>7 624 656.98</b>	<b>3 772 693.95</b>	<b>4 111 478.97</b>
<b>Net Operational Expenditure</b>					
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.11.9

Capital Expenditure Year 1: Economic Development Services					
					R' 000
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All			2.642		2.642
Arts and Craft Centre	800	70	870	63	933
Agricultural Projects	400		0	-	400 000
EPWP Projects	2.3m		2.3	580 000	2.8m
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T3.11.10

# Chapter 3

## COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

District municipality is better positioned to provide a coordinating and supporting role to the local municipalities within their broad geographic areas. Local municipalities on the other hand are the key LED implementation agencies of government. They have a more direct impact on LED in terms of their potential influence on issues and factors such as by-laws, tender and procurement procedures and other regulations. They also have a more direct influence on access to land, the necessary infrastructure and services, promoting a positive image of their area, making the environment more appealing and welcoming for investors and visitors, facilitating skills development.

T3.11.11

# Chapter 3

## 3.64 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

### INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABBATOIR LICENSING AND INSPECTIONS, ETC

One of the key roles of EHP's is to conduct inspections of food premises and government premises to ensure compliance with R926, Foodstuffs, Cosmetics and Disinfectants act 1972 (Act no. 54 of 1972), National health act, 2003 (Act no 63 of 2003). District EHP's issue out compliance notices to food premises if there is non-compliance and issue certificate of acceptability for compliant premises. Certificate of health are issued to compliant ECD's and old age homes. Licences for operations are not issued by EHP's.

Surveillance of premises is also conducted to insure vector control and to monitor health and hygiene standards of premises

**Set out your top 3 service delivery priorities and the impact you have had on them during the year.**

The following activities are measured: These ensure that there is constant monitoring of compliance.

No. of COA's issued

No. of non-compliance notices issued

No. of health inspections conducted.

**Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year.**

Bimonthly raids are conducted with the assistance of SAPS to curb non-compliance by shop owners and seize expired foods.

T3.64.1

# Chapter 3

## 3.67 OTHER (DISASTER MANAGEMENT)

### INTRODUCTION TO DISASTER MANAGEMENT

**Disaster Management** is a continuous and integrated multi-sectoral and multi-disciplinary process of planning and implementation of measures aimed at disaster prevention, -mitigation, -preparedness, -response, -recovery and -rehabilitation

Top three Service Delivery Priorities:

1. Community Safety
2. Preparedness
3. Recovery and Rehabilitation

The DM Unit main role is to ensure a safe and unwavering environment to the Xhariep district community. Through proper planning the Unit will be able to build resilient communities through the Disaster Management Activities within the district Municipality. A budget for the review of the DM Plan, DM training and DM relief was approved to enhance the previous achievements and to implement the plan for mitigation through education, awareness and training. The DM Unit played a vital role to assist disaster stricken victims throughout the district in rebuilding of houses and rehabilitation.

T3.67.1

# Chapter 3

## COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT

The Disaster Management Plan and Disaster Management Framework were reviewed as compelled by the Disaster Management Act (57/2002). Regular Disaster Management Advisory Forum meetings are held. Assistance with Disaster Management in general is given to all Local Municipalities in the District. We are trying to educate the communities through awareness campaigns and with Disaster Management Programs at the primary schools. This, in a way will help us to prepare for and minimizes the impact of disastrous incidents in the area. Training and workshop for Councillors, Ward Committees, Disaster Management Forums and Volunteer Groups are planned to enhance our Disaster Management educational program.

The Disaster Management Unit attends to most of the incidents within the District to record the incident and report to the authorities and the respective relevant parties. Due to financial constraints, the Unit cannot support all the victims financially. The Disaster Management Unit had several engagements with Sector Departments and Stakeholders on the establishment of the Disaster Management Centre. An established Centre will play a fundamental role in managing disasters in the District.

T3.67.7



# Chapter 3

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

### INTRODUCTION TO CORPORATE POLICY OFFICES, Etc

The Municipality has developed required policies as per directive of legislations that govern the local sphere of government for all aspects of the Municipality, i.e. finance, Human Resources, performance management, risk management, disaster management, Local Economic Development, Municipal Health Services and internal audit.

T3.69.0

### 3.69 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

### INTRODUCTION TO EXECUTIVE AND COUNCIL

Municipality is currently executing two service delivery related matters, i.e. local economic development and Municipal Health Services. The Local Economic Development Division that is located within the Department of Planning and Social Development has made strides in providing financial assistance and providing training to Small Micro and Medium Enterprises. The Municipality has assisted interested individuals or group of people to establish their own businesses, in particular cooperatives.

The Environmental Health Services Division that is also located within the Department of Planning and Social Development is checking the quality of water from different local municipalities that fall within its jurisdiction on frequent intervals as required by applicable legislations and policies. Furthermore this division inspect businesses that sell food and local municipalities' landfill sites – check whether they comply with appropriate Municipal Health Services legislations and policies.

T3.69.1

# Chapter 3

Employees: The Executive and Council					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

*T3.69.4*

# Chapter 3

Financial Performance Year 1: The Executive and Council					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	11,814,223.00	8,368,113.00	8,131,740.74	4,899,625.55	-71%
Expenditure:					
Employees	3,196,132.00	3,113,646.85	3,009,700.66	3,948,794.93	21%
Repairs and Maintenance	276,208.00	88,855.00	188,855.00	191,866.14	54%
Other	5,375,616.00	3,439,000.00	3,582,560.00	5,056,220.91	32%
<b>Total Operational Expenditure</b>	8,847,956.00	6,641,501.85	6,781,115.66	9,196,881.98	28%
<b>Net Operational Expenditure</b>	-2,966,267.00	-1,726,611.15	-1,350,625.09	4,297,256.43	140%
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.69.5

Capital Expenditure Year 1: The Executive and Council					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	85,000.00	113,099.00	117,632.90	28%	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T3.69.6

# Chapter 3

## COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

The Capital budget of the municipality was R5 120 465 and it mainly comprises of furniture and fittings, computer equipment and general equipment. The municipality under-budgeted for capital expenditure on the Executive and Council vote. The variance was 28% between the budgeted and actual amounts.

T3.69.7

## 3.70 FINANCIAL SERVICES

### INTRODUCTION FINANCIAL SERVICES

The Budget and Treasury Office is responsible for the financial administration and management of the municipality.

T3.70.1

Employees: Financial Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	1	33%
4 - 6	7	7	7	0	0%
7 - 9	6	6	6	0	0%
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	16	16	16	1	33.33%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

*T3.70.4*

# Chapter 3

Financial Performance Year 1: Financial Services					
					R'000
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	17,266,942.00	13,282,729.43	21,463,829.63	7,861,650.00	-69%
Expenditure:					
Employees	4,671,270.00	7,835,420.22	7,484,863.82	6,725,151.14	-17%
Repairs and Maintenance	403,688.00	100,000.00	100,000.00	101,032.63	1%
Other	62,986,244.00	3,498,234.16	6,879,881.00	6,615,412.97	47%
<b>Total Operational Expenditure</b>	68,061,202.00	11,433,654.38	14,464,744.82	13,441,596.74	15%
<b>Net Operational Expenditure</b>	50,794,260.00	-1,849,075.05	-6,999,084.81	5,579,946.74	133%
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.70.5

Capital Expenditure Year 1: Financial Services					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	472,605.72	472,606.00	274,322.42	-72%	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T3.70.6

# Chapter 3

## COMMENT ON THE PERFORMANCE OFFINANCIAL SERVICESOVERALL:

The BTO under-spending of 72% largely emanates from furniture and computer equipment that was budgeted for and not purchased.

T3.70.7

## 3.71 HUMAN RESOURCE SERVICES

### INTRODUCTION TO HUMAN RESOURCE SERVICES

The purpose of Human Resources Services at the institution is cater for human resource development needs of the employees, remuneration and benefits of employees, labour relations and human resources information that relates to leave management and employee personal information.

The management set itself priorities to overhaul the services the institution provides to its internal clients, the key three amongst them were;

Purify leave management

Provide accurate inputs– information to payroll

Recruit people with required competencies

So far the this division has made major strides in insuring that leave of employees is managed in accordance with Municipal Human Resources Policy Manual. Every week they reconcile attendance registers, VIP register with completed leave forms; and make follow-ups on employees who did not sign registers or completed leave forms. The principle of no work no pay is applied on employees who are found not to have followed proper procedure in absenting themselves from work.

The official providing information to employees in payroll on remuneration and benefits of employees work s closely with them in order to ensure that accurate information is forwarded to them before they process the salaries of councilors and employees. The inputs are compiled, checked, approved by different individuals in order to ensure that correct information is provided to payroll. Such information is forwarded to payroll on or before the 15<sup>th</sup> of each month in order to give officials in payroll an ample time to process the remuneration and benefits of both councillors and officials.

The Human Resources Division advertises all vacant positions as required by the Human Resources Policy Manual and set competencies that are needed from the interest individuals. It is important to highlight that the Municipality appoints only incumbent who meet minimum competency requirements as place on the advertisement and who perform well during the interviews.

T3.71.1

# Chapter 3

Employees: Human Resource Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	6	6	6	6	100%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	#DIV/0!
13 - 15	0	0	0	0	#DIV/0!
16 - 18	0	0	0	0	#DIV/0!
19 - 20	0	0	0	0	#DIV/0!
Total	8	8	8	6	#DIV/0!

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.71.4

Financial Performance Year 1: Corporate Services					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	38,169,029.00	26,829,277.45	26,109,972.57	17,378,385.00	-54%
Expenditure:					
Employees	10,325,965.00	11,656,735.59	10,622,337.83	11,446,147.18	-2%
Repairs and Maintenance	533,951.00	1,440,000.00	1,530,000.00	465,944.31	-209%
Other	17,725,789.00	7,899,087.00	13,145,472.00	17,800,911.51	56%
<b>Total Operational Expenditure</b>	28,585,705.00	20,995,822.59	25,297,809.83	29,713,003.00	29%
<b>Net Operational Expenditure</b>	-9,583,324.00	-5,833,454.86	-812,162.74	12,334,618.00	147%

*Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.*

T3.71.5

# Chapter 3

Capital Expenditure Year 1: Corporate Services					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2,270,000.00	4,682,994.00	1,570,630.68	-45%	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T3.71.6

## COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

The Human Resource Services did not spent as budgeted for due to projects that were held back and were deferred to the new financial year.

T3.71.7

## 3.72 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Information Technology provides ITC related services to the entire institution, i.e. internet, website and emails. Most importantly maintains ITC infrastructure, namely, servers, computers, telephones etc.

T3.72.1



# Chapter 3

Employees: ICT Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	#DIV/0!
13 - 15	0	0	0	0	#DIV/0!
16 - 18	0	0	0	0	#DIV/0!
19 - 20	0	0	0	0	#DIV/0!
Total	3	3	3	0	#DIV/0!

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.72.4

## COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

The Municipality experienced few instances of IT problems for the period in review. When problems surface the IT personnel was able to attend to them immediately as they were petite mishaps. Overall, the municipality was able to execute its work without experiencing major interruption in terms of IT related functions.

T3.72.7

# Chapter 3

Employees: Risk Management Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	1	100%
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	1	1	1	1	100%

*.Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.73.4

# Chapter 3

## COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

### MUNICIPAL MANAGER

Indicator/vote	Unit of measurement	Annual target	Act	Variance	Corrective measure
Contract Management	Appropriate performance indicators and performance targets are set for supplier performance for each contract awarded through the supply chain management system	Reports on performance of Projects(1)	1	0	-
Good Governance	No of reports submitted to Council regarding the execution of council decisions	4	4	0	-
Performance Management	Annual performance agreements for 2012/2013 entered into with each of the managers who are directly accountable to the municipal manager	31- Jul-2012	25-Jul-2012	0	-
Internal Auditing	Internal audit reports on the functionality of the PMS, compliance of the PMS with relevant legislation and the reliability of performance measurements submitted to the audit committee/performance audit committee [MPPMR, r 14(1)(c)]	31/10/2012 31/01/2013 30/04/2013 31/07/2013	12/10/2012 13/02/2013 13/05/2013 06/08/2013	19 days (13 days) (13 days) (06 days)	Departments to stick to deadlines as to give the IA Unit enough time to consolidate their reports.

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Act	Variance	Corrective measure
	Availability and Implementation of risk based Internal Audit plan.	1	1	0	-
	Availability of quarterly audit reports (internal controls, financial and compliance)	4	4	0	-
	Follow-up on AG recommendations	1	1	0	-
Risk assessment	Review Risk Management Strategy, Policy and Framework	1	1	0	-
	Risk register	1	1	0	-
	Risk Management Reports	4	1	(3)	Filling in of the vacancy of the Chief Risk Officer in the 2013/2014 financial year.
	Approved Fraud Prevention Plan	1	1	0	-
	Audit/performance audit committee's audit reports submitted to the Council [MPPMR, r. 14(4)(a)]	31/01/2013 31/07/2013 (2 reports)	04 /06/2013 (3 reports)	1	-
AFS for 2011/2012 submitted to the audit	31/09/2012	31/08/2012	0	-	

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Act	Variance	Corrective measure
	committee for review [MFMA, s 166(2)(b)]				
	No of audit committee meetings held	4	4	0	-
Performance Management	Corporate performance report for 2011/2012 submitted to the Auditor-General	31-Aug-2012	31-Aug-2012	0	0
	Mid-year budget and performance report for the period 01/07/2012 to 31/12/2012 submitted to the executive mayor	25-Jan-2013	24-Jan-2013	0	-
	Annual report 2011/2012 submitted to the executive mayor	15-Jan-2013	31/08/2012	168 days/4 months 15 days	-
	PMS reports	4	4	0	-
	Quarterly feedback reports regarding implementation of the IDP and PMS (PPMR Sec 15)	4	4	0	-
	Months without unauthorized expenditure as indicated in MFMA 32(1)(b)	12	9	(3)	Department to stick to its initial budget.
	% of council resolutions implemented that were referred to the HOD	100%	100%	0	-

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Act	Variance	Corrective measure
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## FINANCIAL SERVICES

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
Financial Viability	Monthly budget statements submitted to the MM [MFMA, s 71]	12	12	0	-
	Compilation of annual financial statements for 2010/2011	31-Aug-2011	31-Aug-2011	0	-
	Realistic and comprehensive draft financial plan prepared and incorporated in the IDP for 2013/2014	28/02/2013	28/06/2013	(04 Months)	Review of process plan 2013/2014.
	R value of rent collected from Kopanong LM	R337 760	R353 014.35	R15 254.35	-
SDBIP reporting to council and MM	Section 52(d) reports(MFMA)	4	4	0	-

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
Supply Chain Management	No of queries received from the IA and AG regarding non-compliance with the supply chain management policy	0	9	(9)	User departments should submit their demand management plans on time.
Good Governance	% of council resolutions implemented that were referred to the HOD for execution	100%	99%	(1%)	The execution list will be given to all finance officials so that they also know which resolutions should be implemented.
	%Management of external audit queries by ensuring that all queries are answered within 14 days	100%	100%	0	-
Performance Management	No of performance reports submitted to the MM	4	4	0	-
Financial Viability	Months without unauthorised spending by accounting officer as indicated in	12	0	(12)	Unauthorised expenditure should be investigated and money should be recovered if the expenditure

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
	MFMA 32(1)(b)				incurred was a result of negligence.
Performance management	No of performance appraisals conducted in the department	2	1	(1)	The appraisals will be conducted in the new financial year.
Contract Management	Monitor projects undertaken by the municipality by setting performance indicators for each projects (PPMR Sec 9(2)(b))	2 Project Performance Reports	2	0	-
Financial Viability	95% of total conditional grants spent in compliance with set conditions	90%	95%	5%	-
Financial Viability	% of total conditional grants spent	100%	96%	(4%)	The remaining grant was committed at year end, therefore it was basically 100% spent.
Development of Asset Register	GRAP compliant	31 August 2012	31-Aug-2012	0	-



# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
	asset register				
Cash flow Management	Cash Flow Management Reports	Monthly	12	0	-
Monitoring and implementation of the AG's action plan	Updated action plan	Continuous	4	0	-

## FINANCIAL SERVICES

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Prior Target	Prior Actual	Prior Variance	Corrective Measure
Financial Viability	Monthly budget statements submitted to the MM [MFMA, s 71]	12	12	0	12	12	0	-
	Compilation of annual financial statements for 2010/2011	31-Aug-2011	31-Aug-2011	0	31-Aug-2012	31-Aug-2012	0	-
	Realistic and comprehensive draft financial plan prepared and incorporated in the IDP for 2013/2014	28/02/2013	28/06/2013	(04 Months)	28/02/2012	28/02/2012	0	Review of process plan 2013/2014.

# Chapter 3

	R value of rent collected from Kopanong LM	R337 760	R353 014.35	R15 254.35	R2700 00.00	R1 391 782.60	R112 1782.60	-
SDBIP reporting to council and MM	Section 52(d) reports(MFMA )	4	4	0	4	4	0	-
Supply Chain Management	No of queries received from the IA and AG regarding non-compliance with the supply chain management policy	0%	9%	(9%)	10%	The AG did raise queries but the Department was unable to quantify them	The AG did raise queries but the Department was unable to quantify them	User departments should submit their demand management plans on time.
Good Governance	% of council resolutions implemented that were referred to the HOD for execution	100%	99%	(1%)	100%	100%	0%	The execution list will be given to all finance officials so that they also know which resolutions should be implemented.

# Chapter 3

	%Management of external audit queries by ensuring that all queries are answered within 14 days	100%	100%	0%	100%	100%	0%	-
Performance Management	No of performance reports submitted to the MM	4	4	0	4	4	0	-
Financial Viability	Months without unauthorised spending by accounting officer as indicated in MFMA 32(1)(b)	12	0	(12)	12	3	(9)	Unauthorised expenditure should be investigated and money should be recovered if the expenditure incurred was a result of negligence.
Performance management	No of performance appraisals conducted in the department	2	1	(1)	4	1	(3)	The appraisals will be conducted in the new financial year.
Contract Management	Monitor projects undertaken by	2 Project	2	0	N/A	N/A	N/A	-

# Chapter 3

	the municipality by setting performance indicators for each projects (PPMR Sec 9(2)(b))	Performance Reports						
Financial Viability	95% of total conditional grants spent in compliance with set conditions	90%	95%	5%	N/A	N/A	N/A	-
Financial Viability	% of total conditional grants spent	100%	96%	(4%)	N/A	N/A	N/A	The remaining grant was committed at year end, therefore it was basically 100% spent.
Development of Asset Register	GRAP compliant asset register	31 August 2012	31-Aug-2012	0	N/A	N/A	N/A	-
Cash flow Management	Cash Flow Management Reports	Monthly	12	0	N/A	N/A	N/A	-
Monitoring and implementation of the AG's action plan	Updated action plan	Continuous	4	0	N/A	N/A	N/A	-

# Chapter 3

## COUNCIL

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective measure
Council meetings	No. of meetings held	4	7	1	-
Mayoral Committee meetings	No. of meetings held	6	6		
Section 80 committees	No. of meetings held	6	6		
Agendas to Council and committees	Issue agenda in time	Within 48 hours before the sitting of meetings	Within 48 hours before the sitting of meetings	0	-
Good Governance	% of council resolutions(internal) executed by management	100% implementation (before the next ordinary council meeting)	94.1%	(5.9%)	Quarterly monitor the implementation of Council resolutions
	Budget and IDP process plan tabled in Council	31 –Aug-2012	31-Aug-2012	0	-
Performance Management	Review of performance management system and monitoring of compliance (MSA Sec 39)	31-Jul-2012	29 -Jun 2012	31 days	-
	Report to the Executive Mayor on performance reviews/assessment of top management	31/10/2012 31/01/2013 30/04/2013	4	0	-

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective measure
		31/07/2013			
Financial Viability	Mayor's report on the implementation of the budget and the financial state of the affairs of the municipality to Council (MFMA Sec 52(d))	31/10/2012 31/01/2013 30/04/2013 31/07/2013	4	0	-
Public Participation	IDP	4(1 per local municipality)	4	0	-
Approval of the first Draft of the IDP and Budget by Council	IDP	1	1	0	-
Approval of the final budget and IDP	Approved budget and IDP	1	1	0	-
Mid-year budget and performance report tabled in Council	Mid-year budget and performance report	31-Jan -2013	23-Jan-2013	8	-
Draft Annual report for submission to AGSA	Draft Annual report	31-Aug-2012	1	0	-
Good Governance	Annual report for 2011/2012 tabled in Council (MFMA 127(2))	31-Jan-2013	23-Jan-2013	0	-
	Oversight report on the annual report adopted by Council	31 Mar-2013	31-Mar-2013	0	-
Approval of the SDBIP	SDBIP	Within 28 days after approval of the Budget	27 July 2012	(29 days)	Calendar days will be considered to approve the

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective measure
					SDBIP going forward.
Good Governance	Annual performance agreements for 2012/2013 entered into with the Municipal Manager	31- Jul -2012	27 July 2012	3	-
Mayor's social responsibility	Paying Registration fees for prospective (tertiary students)	16 students	8	(8)	Proper budgeting in the new financial year.
Special Programs	District AIDS Council meeting	2	1	0	-
Outreach Programs	Youth month	1	1	0	-
	Women's Day	1	1	0	-
	Heritage month	1	1	0	-
	Moral Regeneration	1	1	0	-
IGR Forum	No. of meetings	4 political	2	2	Develop schedule of IGR Meetings and sent it to Departments and stakeholders who will form part of the meeting

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective measure
		4 Technical	2	2	Develop schedule of IGR Meetings and sent it to Departments and stakeholders who will form part of the meeting

## PLANNING AND SOCIAL DEVELOPMENT

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
Contract Management	Monitor projects undertaken by the municipality by setting performance indicators for each projects (PPMR Sec 9(2)(b))	4 Project Performance report	5	1	Contracts will be aligned to municipal financial position
Environmental Health	No of environmental support meetings attended with local municipalities	8	9	1	Achieved
	Number of air quality related complaints received	2	4	(2)	No. of complaints are depended on complaints received.
	Number of incidents of illegal dumping	0	16	(16)	Local Municipalities will be made to made written commitment to eradicate this illegal activities
	No of persons attending health education programmes/projects	800	1 113	28	-
Disaster Management	Disaster management plan reviewed	30/06/2013	Provide date	0	-
	No of municipal disaster	4	5	0	-



# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
	management advisory forum meetings held (section 51 of the Disaster Management Act 2002)				
	No of disaster management progress reports submitted to Council	4	8	4	-
	No of Disaster Management awareness sessions held in the District	4	1	(3)	Partnerships will be formed with other sectors to avoid non compliance
Water Quality Monitoring	Blue drop compliant water quality achieved by June 2013	30/06/2013	30/06/2013	0	Water samples will be taken monthly and results will be communicated to Local Municipalities for corrective actions.
	No of water awareness campaigns conducted	4	4	4	-
	No of quarterly water quality reports submitted to Council	4	3		Ensures that reports are constantly submitted to council
Basic Services	No of monthly sanitation quality reports submitted to Management	4	10	6	Reports are only submitted to management to address contravention of the law by Local municipalities and for municipalities to address the problems
	No of quarterly sanitation quality reports submitted to Council	4	3	(1)	Reports are only submitted to council to inform it of contravention of the law by

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
					Local municipalities.
Local Economic Development	No of District LED forums held by 30 June 2013	4	3	(1)	Partnerships will be formed with other sectors to avoid non compliance.
	No. Of LED implementation reports submitted to Management	8	11	3	-
Good Governance	% of Council resolutions implemented that was referred to the HOD for execution	100%	99,5%	(0, 5%)	Full implementation of Council Resolutions in 2013/2014
Performance Management	No of performance appraisals conducted in the Department	2	1	(1)	Training of Supervisors on EPAS.
Performance Management	No of performance reports submitted to the MM	4	4	0	-
Sample results taken: micro-biological, chemical and physical aesthetical determinants	No. of Samples taken	48 Naledi	17	(31)	Municipalities to be involved and encouraged to take their own samples
		152 Kopanong	171	19	
		48 Mohokare	84	36	
		72 Letsemeng	40	(32)	
To monitor and control acceptable food quality and safety	No of Site inspections Compliance and Notices	200	112	(88)	Employ more human resources to address non compliance
Reduced illegal dumping and littering	Public participation campaigns	10 towns	2 towns	(8 towns)	Local municipalities will be issued with notices
	By-laws	1	0	(1)	-
	No of Inspections	10 towns	11 towns	1 town	-
Funeral parlours to comply with R237 of 8	No of site inspections	80% current base	63,75%	(16, 25%)	Issue notices and close

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
February 1985					funeral parlours which are not complying.
Awareness programs for community on Disaster Management	No of campaigns	5	2	(3)	Partnerships will be formed with other sectors to avoid non compliance
Educational programs for schools on Disaster Management	No of educational programs	20	2	(20)	Partnerships will be formed with other sectors to avoid non compliance
No of marketing brochure produced	Marketing brochure	120	100	(20)	Proper budgeting going forward
Promotion & marketing of XDM	XDM exhibition stalls at MACUFE & Tourism Indaba	2 exhibitions	2	0	-
Animal/plant production training for SMME's	Training for 30 people	1	0	(1)	Partnerships will be formed with other sectors to avoid non compliance
SMME's on marketing	25 B&B/ guesthouse training	1	0	(1)	Partnerships will be formed with other sectors to avoid non compliance
Tourisms campaigns	Awareness campaigns	4	4	0	-
Support Co-ops	Irrigation system in Reddersburg.	1	0	(1)	The project will not be implemented in the new financial year.
	Upgrading piggery stalls in Dewetsdorp	1	0	(1)	The project will be implemented in the new financial year
	Registration of co-ops for waste recycling	1	-	(1)	The project will be implemented in the new financial year -

# Chapter 3

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Corrective Measure
	Stipends for 30 people	R388 800	R0.00	(R388 800)	The project will be implemented in the new financial year
	Appointment of people (labour intensive)	100 people	170	70	-
Greening & cleaning of towns	Planting of trees	250 trees	100	(150)	Trees will be planted in the new financial year
	Updated supplier database	1	1	0	-

## CORPORATE SERVICES

Indicator/vote	Unit of measurement	Annual target	Actual	Variance	Prior Target	Prior Actual	Prior Variance	Corrective Measure
Contract Management	Monitor projects undertaken by the department by setting performance indicators for each projects (PPMR Sec 9(2)(b))	4	3	(1)	4	2	(2)	Spread projects to cover all four quarters
Upload and update municipal	Fully functional website at	4	4	0	100%	99%	(10%)	-

# Chapter 3

website regularly and comply with s 21B of the Systems Act and s 75 of the MFMA	all times							
Development of Intranet Policy	Intranet policy	1	0	(1)	N/A	N/A	N/A	Policy developed but not yet approved by Council. Will be submitted to Council for approval in the new financial year
Development of IT master plan	ICT Master plan	1	0	(1)	N/A	N/A	N/A	The Municipality has appointed a service provider who will assist in developing this plan in the new financial year.
Employment Equity	% of female employees in the municipality	50.59%	40.66	(9.93)	N/A	N/A	N/A	The Municipality will prioritise

# Chapter 3

								previously disadvantaged people during 2013/14 financial year
	% of differently able employees in the municipality	0.8%	1.4%	0.6%	N/A	N/A	N/A	The Municipality will prioritise differently able people during 2013/14 financial year
Skills Development Plan	No of employees attending skills development interventions	50	19	(31)	N/A	N/A	N/A	Target could not be achieved due to financial constraints
Good Governance	% of council resolutions implemented that were referred to the HOD for execution	100%	81.42	(18.58)	100%	100%	0	All employees who were not trained will be prioritised 2013/2014 financial year
Performance Management	No of performance reports submitted	4	4	0	4	4	0	-

# Chapter 3

nt	to the MM (MSA Sec 38 and 39)							
Skills Developm ent	Submission of employem t equity report to Department of Labour	Manually 31-Oct- 2012  Electronic ally 31- Jan-2013	Electronic ally  01-02- 2013  was rejected by the DOL system	(2 days)	30 Sep 2011	03 Oct 2011	(3 days)	The DOL system was overloaded to accept all the EERs before 12h00 on the 31/01/2013. The EER will be submitted by the 01/10/2013 manually
	Percentage of skills developme nt levy claimed back from skills developme nt fund (SDL Act & Reg)	1%	63,45%	62,45 %	1%	10,07%	9%	-
	Workplace Skills Plan (WSP) submitted to LGSETA	30/06/20 13	26/06/20 13	4 days	30/06/20 12	30/06/20 12	0	-
Good Governanc e	No queries received from AG regarding incomplete	0	0	0	0	0	0	No queries received from AG regarding incompleten

# Chapter 3

	ness of employee records							ess of employee records-
Occupational Health and Safety	No of health and safety inspections carried out in terms of the Occupational Health and Safety Act 55 Of 1995	2	2	0	2	2	0	-
	Compliance with all aspects regarding work related injuries as required by the Occupational Health and Safety Act 55 Of 1995	100%	100%	0	100%	100%	0	-
Labour Relations	No of LLF meetings	12	8	(5)	10	2	(8)	Meetings will sit as per the schedule of LLF.
Performance Management	No of performance appraisals conducted to	2	2	(2)	4	2	(2)	EPAS appraisals will be conducted as per the



# Chapter 3

	employees in the department							policy.

\*NB: ALL SHADED INDICATORS BELOW ARE PERFORMED BY LOCAL MUNICIPALITIES HENCE THERE IS NON REPORTING ON THEM

## ORGANISATIONAL INDICATORS AND TARGETS

Indicator/vote	Annual target	Actual	Variance	Prior Target	Prior Actual	Prior Variance	Corrective Measure
Basic Services	The percentage of households with access to basic level of water						
	The percentage of households with access to basic level of sanitation						
	The percentage of households with access to basic level						

# Chapter 3

	of electricity							
	The percentage of households with access to basic level of solid waste removal							
	The percentage of households earning less than R1100 per month with access to free basic services							
Financial Viability	The percentage of the capital budget actually spent on capital projects identified in the Integrated Developm	100%	68,8 %	(31,2 %)	100%	44% (Fencing of Cemeteries ) 68 %( Refurbishment of the Smithfield Hall).	The Municipality under spent in the two projects.	The Municipality not to budget for projects where funding promised by National/Provincial Governments is not yet transferred into XDM's account.

# Chapter 3

	ent Plan							
Good Governance	No of public hearings held during the formulation of the IDP for 2012-2017	4	4	0	4	4	0	-
	No of public hearings and consultation sessions held during review of the KPI's and performance targets for 2012/2013	4	4	0	4	4	0	-
	No of public hearings and consultation sessions held during preparation of the budget for	4	4	0	4	4	0	-

# Chapter 3

	2013/2014							
Local Economic Development	The number of jobs created through the municipality's local economic development initiatives including capital projects							
Financial Viability	Debt coverage ratio	>1	>1	4.11	3.11	>1	>1	-
	Outstanding service debtors to revenue ratio		-	-	-	-	-	-
	Cost coverage ratio	>1	>1	-	-	-	-	The department is unable to calculate this..
	Liquidity ratio	>1	>1	2.08	>1	>1	>1	-
	Solvency ratio	>1	>1	-0.26	>1	>1	>1	Depreciation of assets (Municipal Vehicles,

# Chapter 3

								furniture and office equipment).
Good Governance	No of audit queries received regarding irregular, unauthorised and fruitless and wasteful expenditure	0%	0%	0	10%	The Department could not quantify queries raised by the AG regarding irregular, unauthorised and fruitless and wasteful expenditure	The Department could not quantify queries raised by the AG regarding irregular, unauthorised and fruitless and wasteful expenditure	Audit has not yet been conducted for the 2012/2013 financial regarding irregular, unauthorised, fruitless and wasteful expenditure
Financial Viability	% variance from approved budget allocation per vote	10%	62,66 %	(52,66 %)	10%	0%	0%	Departments to avoid irregular and unauthorized expenditure.
Operation clean Audit 2014	Unqualified audit opinion without findings	All Departments	-	-	Unqualified audit opinion with findings	Unqualified audit opinion with findings	Unqualified audit opinion with findings	Audit Outcomes will only be released after the Audit of the AG.
Municipal Transformation and Institutional Development	The number of people from employment equity	35,29%	35,29 %	35,29 %	95%	60%	(35,9%)	-

# Chapter 3

nt	target groups employed in the three highest levels of management							
	The percentage of a Municipality's budget actually spent on implementing its workplace skills plan	1%	63,45 %	62,45 %	1%	<1%	(1%)	-

# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### (PERFORMANCE REPORT PART II)

#### INTRODUCTION

The Municipality reviewed its organizational structure in April 2012 for 2012/2013 financial year with the intention to prepare and organize the Municipality to implement new political mandate and; ever changing and increasing scope of work that is assigned to the Municipality. Few new positions were created, others were abolished and some were shifted to other departments or units of the institution.

The Municipality is constituted of four departments, namely, the Office of the Municipal Manager, Corporate Services, Planning and Social Development and Budget and Treasury. The Office of the Municipal Manager comprises of four units i.e. Internal Audit, Risk Management, Performance Management and Communication. The Department of Corporate Services consists of three units, i.e. Administration, Human Resources and IT. The Department of Planning and Social Development is composed of four units, namely Local Economic Development, Development Planning, Disaster Management and Municipal Health. The Budget and Treasury Office comprises of three units, namely, Expenditure and Payroll, Supply Chain Management and Budget and Reporting.

T4.0.1

# Chapter 4

## COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: Year 1			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	2	1	50.00
Other S57 Managers (Finance posts)	0	0	0.00
Police officers			
Fire fighters			
Senior management: Levels 13-15 (excluding Finance Posts)	10	1	10.00
Senior management: Levels 13-15 (Finance posts)	3	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	14	1	7.14
Highly skilled supervision: levels 9-12 (Finance posts)	5	0	0.00
<b>Total</b>	<b>36</b>	<b>4</b>	<b>11.11</b>
<p><i>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p>			T4.1.2



# Chapter 4

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2012/2013	10	15	1.5
2011/2012	9	8	0.88
2010/2011	13	15	1.15

*\* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year*

T4.1.3

## COMMENT ON VACANCIES AND TURNOVER:

The Municipality using its Human Resource Policy has always filled positions within 3 months after they have been vacant, this principle is used both on senior and junior positions. In filling senior vacant positions the Municipality promotes from within because of its successful career development plan that exist in the Municipality. All Section 57 vacant positions were filled within the required time.

T4.1.4

# Chapter 4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has put proper municipal workforce management systems and procedure in place in order to entrench transparent personnel administration. A Human Resources Policy Manual was developed and presented before Council for approval. Furthermore, the Municipality has developed Employment Equity Plan which is used guide the Municipality on how to implement its recruitment strategy. An Employment Equity Report which shows whether the municipality has recruited employees in accordance with its Employment Equity Plan is then compiled and submitted to the Department of Labour on annual basis.

Every year before the end of June, the Municipality conduct skill audit for each every employee with the intention to identify skill gaps in the institution. The Skills Report in then submitted to the Local Government Sector Education and Training Authority together with the Works Place Skills Plan (WSP). The Officials are then sent to trainings based on the WSP.

The Municipality has developed other numerous policies that governs the activities that are taking place within the institution, namely, Records Management Policy, Fraud and Corruption Prevention Policy, Risk Management Policy, Delegation System Policy, Disaster Management Policy, Audit Charter, Performance Management Framework, Integrated Development Framework and budget related policies etc. These policies and procedures are meant to regulate the activities undertaken by the employees of the Municipality.

T4.2.0

# Chapter 4

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	100%	100%	24 April 2012
2	Attraction and Retention	100%	100%	24 April 2012
24 April 2012	Code of Conduct for employees			24 April 2012
4	Delegations, Authorisation & Responsibility	100%	100%	24 April 2012
5	Disciplinary Code and Procedures			24 April 2012
6	Essential Services	100%	100%	24 April 2012
7	Employee Assistance / Wellness			24 April 2012
8	Employment Equity	100%	100%	24 April 2012
9	Exit Management			24 April 2012
10	Grievance Procedures	100%	100%	24 April 2012
11	HIV/Aids			24 April 2012
12	Human Resource and Development	100%	100%	24 April 2012
13	Information Technology			24 April 2012
14	Job Evaluation	100%	100%	24 April 2012
15	Leave			24 April 2012
16	Occupational Health and Safety	100%	100%	24 April 2012
17	Official Housing			24 April 2012
18	Official Journeys	100%	100%	24 April 2012
19	Official transport to attend Funerals	100%	100%	24 April 2012
20	Official Working Hours and Overtime			24 April 2012
21	Organisational Rights	100%	100%	24 April 2012
22	Payroll Deductions			24 April 2012
23	Performance Management and Development	100%	100%	24 April 2012
24	Recruitment, Selection and Appointments			24 April 2012
25	Remuneration Scales and Allowances	100%	100%	24 April 2012
26	Resettlement			24 April 2012

# Chapter 4

27	Sexual Harassment	100%	100%	24 April 2012
28	Skills Development			24 April 2012
29	Smoking			24 April 2012
30	Special Skills	100%	100%	24 April 2012
31	Work Organisation			24 April 2012
32	Uniforms and Protective Clothing	100%	100%	24 April 2012
33	Other:			

The Municipality created a Human Resource Policy that entails all issues raised in the table as referred to. The Human Resource Policy is reviewed annually and was reviewed for the 2012/2013 financial year

T4.2.1

## COMMENT ON WORKFORCE POLICY DEVELOPMENT:

All necessary policies that enable the Municipality to conduct its business in a fair and transparent manner has been developed and submitted before Council for adoption.

T4.2.1.1

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	0	0.00%	0	0
Temporary total disablement	0	0	0.00%	0	0
Permanent disablement	0	0	0.00%	0	0
Fatal	0	0	0.00%	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0</b>

T4.3.1

### Number of days and Cost of Sick Leave (excluding injuries on duty)

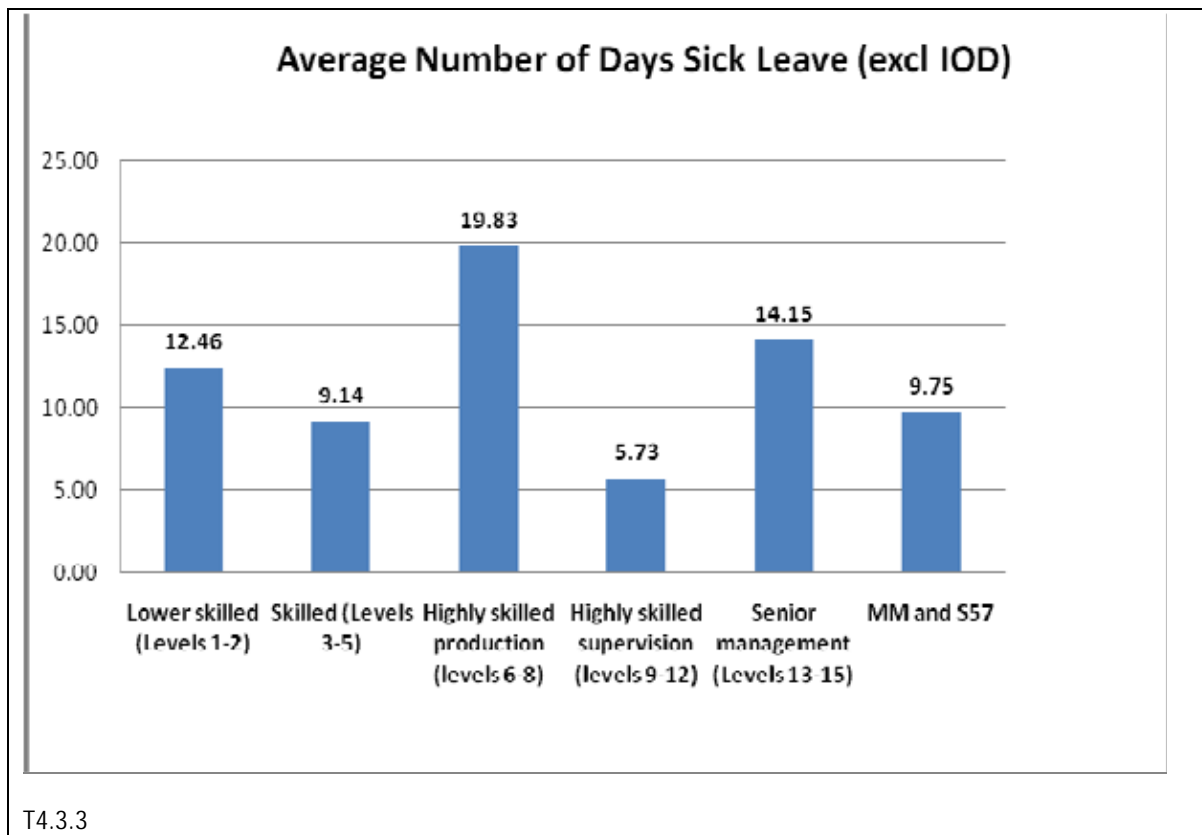
# Chapter 4

Salary band	Total sick leave	Proportion of sick leave without medical certification %	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days		No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	63	0%	5	7	12.60	25,882.92
Skilled (Levels 3-5)	128	0%	14	17	9.14	87,968.00
Highly skilled production (levels 6-8)	238	0%	12	13	19.83	181,962.90
Highly skilled supervision (Levels 9-12)	90	0%	16	21	5.62	79,433.10
Senior management (Levels 13-15)	283	0%	20	20	14.15	591,880.35
MM and S57	39	0%	4	3	9.75	147,375.93
<b>Total</b>	<b>841</b>	<b>0%</b>	<b>71</b>	<b>81</b>	<b>71.09</b>	<b>1,114,503.20</b>

\* - Number of employees in post at the beginning of the year  
 \*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T4.3.2

# Chapter 4



**COMMENT ON INJURY AND SICK LEAVE:**

The Municipality for the past financial year has not experienced any occupational injuries

T4.3.4

# Chapter 4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Communications Officer	Absenteeism	Termination of Contract. However the case is at the level of Labour Court	6-Nov-13
IGR Officer	Gross Insubordination	Termination of Contract. However the case is at the level of Labour Court	24-Jan-13
Special Programmes Officer	Gross Dereliction of duties	Termination of Contract, however after the SALGBC processes the Arbitrator resolved that the employee's dismissal was substantively unfair and ordered reinstatement with cost.	1-Mar-13
			T4.3.6

## COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

The Municipality has suspended three employees during the period in review and all those cases were concluded. One employee has been reinstated and the Municipality has decided to take the other two cases for review at the Labour Court as it feels that it has a case against the two incumbent.

T4.3.7

## 4.4 PERFORMANCE REWARDS

The Municipality has developed Employee Performance Assessment System (EPAS) which is used as a tool to assess the performance of the employees for a particular period. However, there is no system that regulate how should the officials be rewarded for their outstanding work, except for section 54A and section 56 employees.

# Chapter 4

At this point no performance rewards were paid out to any municipal employee, including Top Managers due to budget constraints.

T4.4.1.1

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Every year before the end of June, the Municipality conduct skill audit for each every employee with the intention to identify skill gaps in the institution. The Skills Report in then submitted to the Local Government Sector Education and Training Authority together with the Works Place Skills Plan (WSP). The Officials are then sent to trainings based on the WSP. Over and above this intervention the employees may apply for financial assist to further their studies with their institutions of their choice.

T4.5.0



# Chapter 4

## 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 1	Number of skilled employees required and actual as at 30 June Year 1											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual : End of Year 0	Actual : End of Year 1	Target	Actual : End of Year 0	Actual : End of Year 1	Target	Actual : End of Year 0	Actual : End of Year 1	Target	Actual : End of Year 0	Actual : End of Year 1
MM and s56	Female	1		1							1		1	1
	Male	3							1	2		1	2	
Councillors, senior officials and managers	Female	15		6			5			3		11	3	
	Male	16		3			2		3	4		8	4	
Technicians and associate professionals*	Female	0		0			0			0		0	0	
	Male	0		0			0			0			0	
Professionals/Officers	Female	16		3			10			6		13	6	
	Male	9		3			2		1	2		2	2	
Sub total	Female	32		10			15			12		25	12	
	Male	28		6			4			17		11	17	
<b>Total</b>		<b>60</b>		<b>16</b>	<b>0</b>		<b>19</b>	<b>0</b>	<b>0</b>	<b>29</b>		<b>36</b>	<b>29</b>	

\*Registered with professional Associate Body e.g CA (SA)

T4.5.1

# Chapter 4

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	0	1	0	0	0
<i>Chief financial officer</i>	1	0	1	0	0	0
<i>Senior managers</i>	2	0	2	0	0	0
<i>Any other financial officials</i>	14	0	14	0	0	0
<b>Supply Chain Management Officials</b>						
<i>Heads of supply chain management units</i>	1	0	1	0	0	0
<i>Supply chain management senior managers</i>	1	0	1	1	1	1
<b>TOTAL</b>	<b>20</b>	<b>0</b>	<b>20</b>	<b>1</b>	<b>1</b>	<b>1</b>
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						T4.5.2

# Chapter 4

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	1	0	0	2000	0	0	0	2000	0
	Male	3	0	0	2000	0	0	0	2000	0
Legislators, senior officials and managers	Female	15	96	96		21835.4			96	117835.4
	Male	16	48	48		5964.91			48	53964.91
Professionals	Female	16	48	48		30564.9			48	78564.91
	Male	9	48	48		8280			48	56280
Technicians and associate professionals	Female	0	0	0		0			0	0
	Male	0	0	0		0			0	0
Clerks	Female	16	96	96		52490			96	148490
	Male	7	64	64		17080			64	81080
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female	0	0	0		0			0	0
	Male	0	0	0		0			0	0
Elementary occupations	Female	3	16	16					16	16
	Male	4								
Sub total	Female	48	256	256	2000	104890	10	20	225601	360910.3
	Male	35	16	16		31324.9	20	25	160020	191349.9
<b>Total</b>		<b>83</b>	<b>416</b>	<b>416</b>	<b>2000</b>	<b>136215</b>	<b>30</b>	<b>45</b>	<b>241603</b>	<b>552260.2</b>
<b>*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.</b>									<b>%*</b>	<b>*R</b>
										T4.5.3

# Chapter 4

## COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The Municipality has budgeted for skill development of the councillors and officials. It is only few employees who were sent to trainings due to financial challenges experienced by the Municipality. The employees who are from trainings are expected to submit their certificates or obtained qualifications to the Human Resources Division, Skill development Officer. The budget for training would be dramatically reduced in 2013/2014 financial year due to financial constraints.

T4.5.4

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

Before the beginning of the next financial year the Municipality make necessary estimates for the workforce expenditure. The Municipality then filled only vacant positions that are budgeted for. The Municipality strive all times to appointed only suitably qualified employees for the vacant posts.

T4.6.0

### Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded

Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	1
	Male	0
Skilled (Levels 3-5)	Female	1
	Male	1
Highly skilled production (Levels 6-8)	Female	3
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	3

# Chapter 4

	Male	1
Total		10
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i>		T4.6.2

## DISCLOSURES OF FINANCIAL INTERESTS

The Municipality has developed disclosure of interest forms which are completed by the Councillors, senior managers and all officials who serve in bid committees. They are required to disclose their financial interest at the beginning of each financial year.

T4.6.6

# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

The capital expenditure of the Municipality is insignificant. It amounts to less than ten percent of the total budget. It comprise mainly of furniture and computers purchases. The District Municipality's capital budget tends to be minimal where the local municipalities incur major capital expenditure such as infrastructure.

T5.0.1

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

The municipality's financial statements are in line with the applicable legislation in order to ensure that municipal state of affairs are fairly represented.

Note: Statements of Revenue Collection Performance by vote and by source are included at **Appendix K**.

T5.1.0

# Chapter 5

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary						
R' 000						
Description	Year 0	Current Year: Year 1			Year 1 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates					%	%
Service charges					%	%
Investment revenue	731	165	256	284	71,57%	10,92%
Transfers recognised - operational	88 276	64 875	69 319	40 588	-	-41,45%
Other own revenue	1 871	485	526	505	4,08%	-3,93%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>90 879</b>	<b>65 526</b>	<b>70 101</b>	<b>41 377</b>	-	-
					36,85%	-40,97%
Employee costs	24 586	32 057	29 672	30 159	-5,92%	1,64%
Remuneration of councillors	2 895	3 114	3 010	3 318	6,56%	10,25%
Depreciation & asset impairment	2 317	-	-	14 426	100,00%	100,00%
					170,28%	
Finance charges	308	106	86	287	%	231,54%
Materials and bulk purchases					%	%
Transfers and grants					%	%
					-	-
Other expenditure	37 956	26 492	35 148	22 556	14,86%	-35,83%
<b>Total Expenditure</b>	<b>68 061</b>	<b>61 769</b>	<b>67 917</b>	<b>70 745</b>	<b>14,53%</b>	<b>4,16%</b>
					-	-
<b>Surplus/(Deficit)</b>	<b>22 817</b>	<b>3 757</b>	<b>2 184</b>	<b>(29 368)</b>	<b>881,63%</b>	<b>-</b>
Transfers recognised - capital					%	%
Contributions recognised - capital & contributed assets					%	%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>22 817</b>	<b>3 757</b>	<b>2 184</b>	<b>(29 368)</b>	<b>-</b>	<b>-</b>
					881,63%	-
Share of surplus/(deficit) of associate					%	1444,52%
					%	%

# Chapter 5

Surplus/(Deficit) for the year	22 817	3 757	2 184	(29 368)	%	%
<b><u>Capital expenditure &amp; funds sources</u></b>						
Capital expenditure	-	-	-	-	%	%
Transfers recognised - capital	-	-	-	-	%	%
Public contributions & donations					%	%
Borrowing					%	%
Internally generated funds					%	%
<b>Total sources of capital funds</b>	-	-	-	-	%	%
<b><u>Financial position</u></b>						
Total current assets	29 898	-	-	3 729	%	%
Total non current assets	22 497	-	-	20 822	%	%
Total current liabilities	7 181	-	-	8 521	%	%
Total non current liabilities	673	-	-	879	%	%
Community wealth/Equity	-	-	-	-	%	%
<b><u>Cash flows</u></b>						
Net cash from (used) operating	16 283	61 418	73 485	(11 886)	119,35 %	-116,17%
Net cash from (used) investing	(6 181)	-	-	3 095	%	%
Net cash from (used) financing	(398)	-	-	(452)	%	%
<b>Cash/cash equivalents at the year end</b>	11 062	-	-	1 819	%	%
<b><u>Cash backing/surplus reconciliation</u></b>						
Cash and investments available	16 062	-	-	1 819	%	%
Application of cash and investments	-	-	-	-	%	%
<b>Balance - surplus (shortfall)</b>	16 062	-	-	1 819	%	%
<b><u>Asset management</u></b>						
Asset register summary (WDV)	-	-	-	-	%	%
Depreciation & asset	2 317	-	-	14 426	100,00	100,00%



# Chapter 5

impairment					%	
Renewal of Existing Assets	-	-	-	-	%	%
Repairs and Maintenance	2 125	1 927	1 941	1 271	34,02%	-34,50%
<b>Free services</b>						
Cost of Free Basic Services provided	-	-	-	-	%	%
Revenue cost of free services provided	-	-	-	-	%	%
<b>Households below minimum service level</b>						
Water:	-	-	-	-	%	%
Sanitation/sewerage:	-	-	-	-	%	%
Energy:	-	-	-	-	%	%
Refuse:	-	-	-	-	%	%
<p><i>Variiances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1</i></p>						
						T5.1.1

# Chapter 5

## 5.2 GRANTS

GRANT PERFORMANCE						
R' 000						
Description	Year 0	Year 1			Year 1 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
- <b>Operating Transfers and Grants</b>						
<b>National Government:</b>	22,629	26,052	26,052	25,589	1.8%	1.8%
Equitable share	20,600	22,802	22,802	22,762	0.2%	0.2%
Finance Management	1,204	1,250	1,250	893	28.6%	28.6%
Municipal Systems Improvement	743	1,000	1,000	889	11.1%	11.1%
EPWP Incentive	46	1,000	1,000	1,045	4.5%	4.5%
Other transfers/grants [insert description]	-	-	-	-	0%	0%
<b>Provincial Government:</b>	30,000	15,000	15,000	15,000		
FS Provincial Government Financial Assistance	30,000	15,000	15,000	15,000	0%	0%
Provincial Infrastructure grant	-	-	-	-	0%	0%
Ambulance subsidy	-	-	-	-	0%	0%
Sports and Recreation	-	-	-	-	0%	0%
Other transfers/grants [insert description]	-	-	-	-	0%	0%
<b>District Municipality:</b>	35,683	-	-	-	0%	0%
<i>Motheo Asset Share</i>	35,683			-	0%	0%
<b>Other grant providers:</b>	-	-	-	-	0%	0%
<i>[insert description]</i>						
<b>Total Operating Transfers and Grants</b>	<b>88,276</b>	<b>41052</b>	<b>41052</b>	<b>40,588</b>	<b>0</b>	<b>0</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

T5.2.1

# Chapter 5

## COMMENT ON OPERATING TRANSFERS AND GRANTS:

The largest portion of the Municipality's expenditure is on salaries as a support Municipality. The procurement therefore is not prone to severe inflationary pressure; however where necessary and inflation is expected to rise higher than the one taken into account when the budget was drafted early procurement is preferred. The consultancy arrangements includes the compilation of annual financial statements and the budget thereof is in the region of R 600 000. The internal capacity was in the process of being built and it is anticipated that in the next financial year the exercise will be done internally and will be reviewed externally at a significantly lower cost. The annual financial statements were successfully drafted by the consultants although there was a regress in the audit opinion.

T5.2.2

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

The asset management policy was drafted within the prescripts of the applicable legislations. Asset verifications are done monthly to ensure that assets are safeguarded properly. Stock counts are performed bi-annual by the asset management officials and once a year with the Office of the Auditor-General. In terms of key delegations, the Accounting Officer is the principal custodian who should ensure that the said policy is scrupulously applied and adhered to. The Chief Financial Officer is the assets registrar. The key elements of the asset management policy are classification, recognition, identification, write-off, depreciation, capitalization criteria, amendment of useful lives, and maintenance of assets.

T5.3.1

## COMMENTON ASSET MANAGEMENT:

As Xhariep is a District Municipality and its major assets are a building, security system, furniture and equipment. The Municipality revenue is via inter-governmental transfer and the tariffs and taxes are not applicable. The evaluation of all expenditure is in terms of the Supply Chain Management Policy of the Municipality, Regulations and applicable legislation.

T5.3.3

# Chapter 5

Repair and Maintenance Expenditure: Year 1				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	1,926,855	1,940,855	(1,271,312)	-34.5%
				T5.3.4

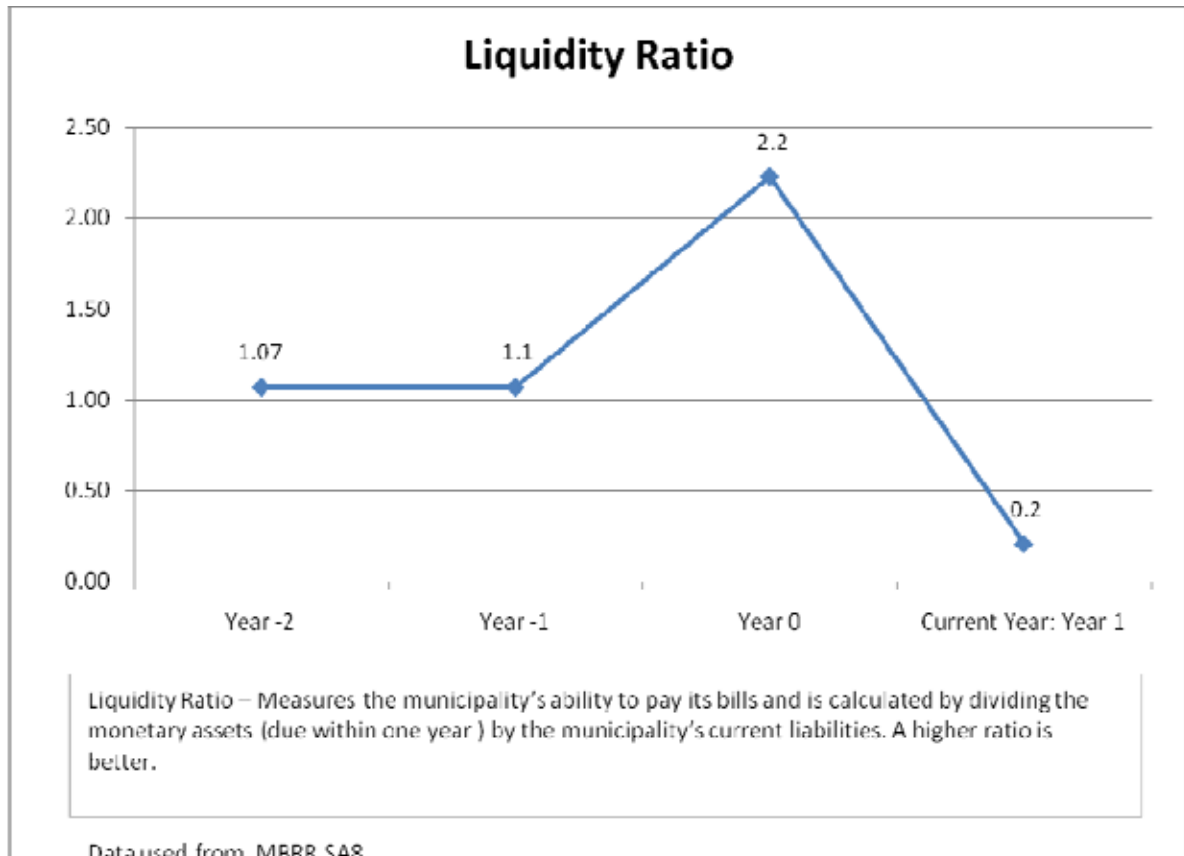
COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The municipality spent less than anticipated on repairs and maintenance as some assets were purchased instead of being repaired.

T5.3.4.1

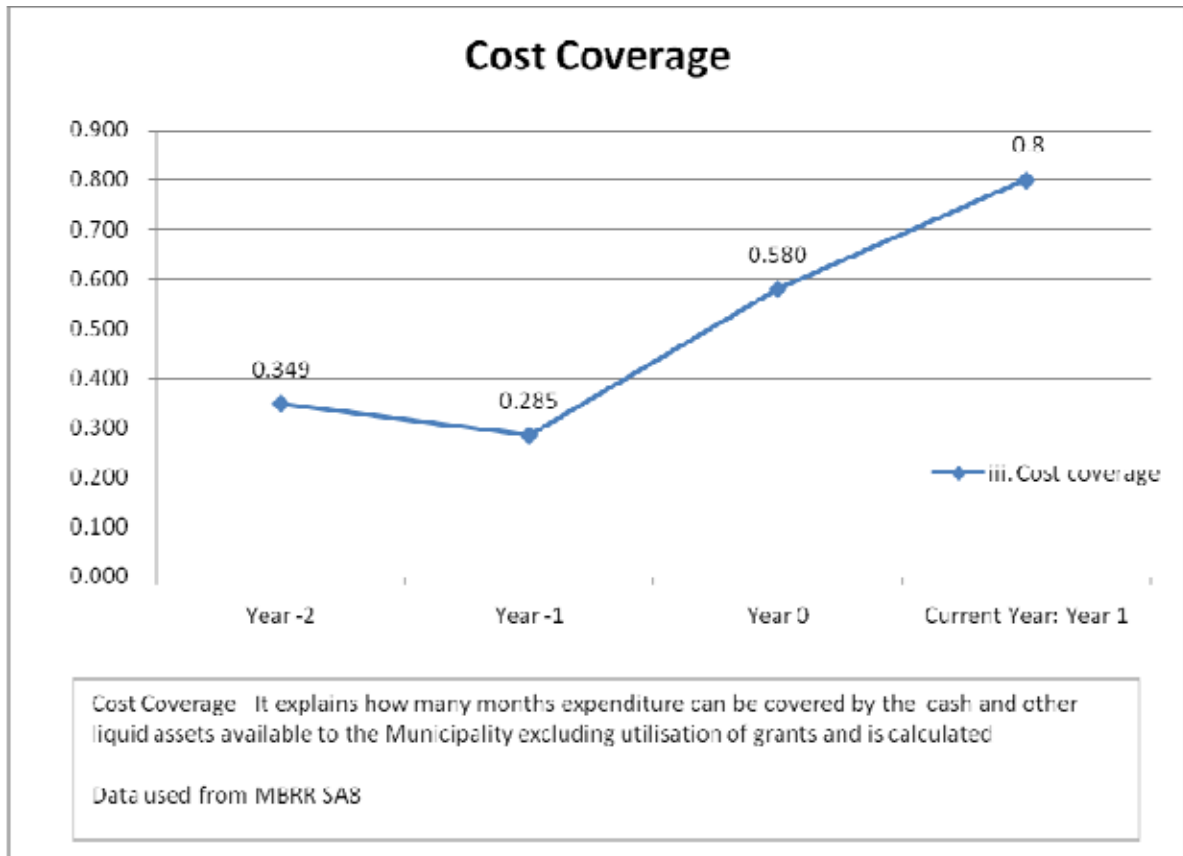
# Chapter 5

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



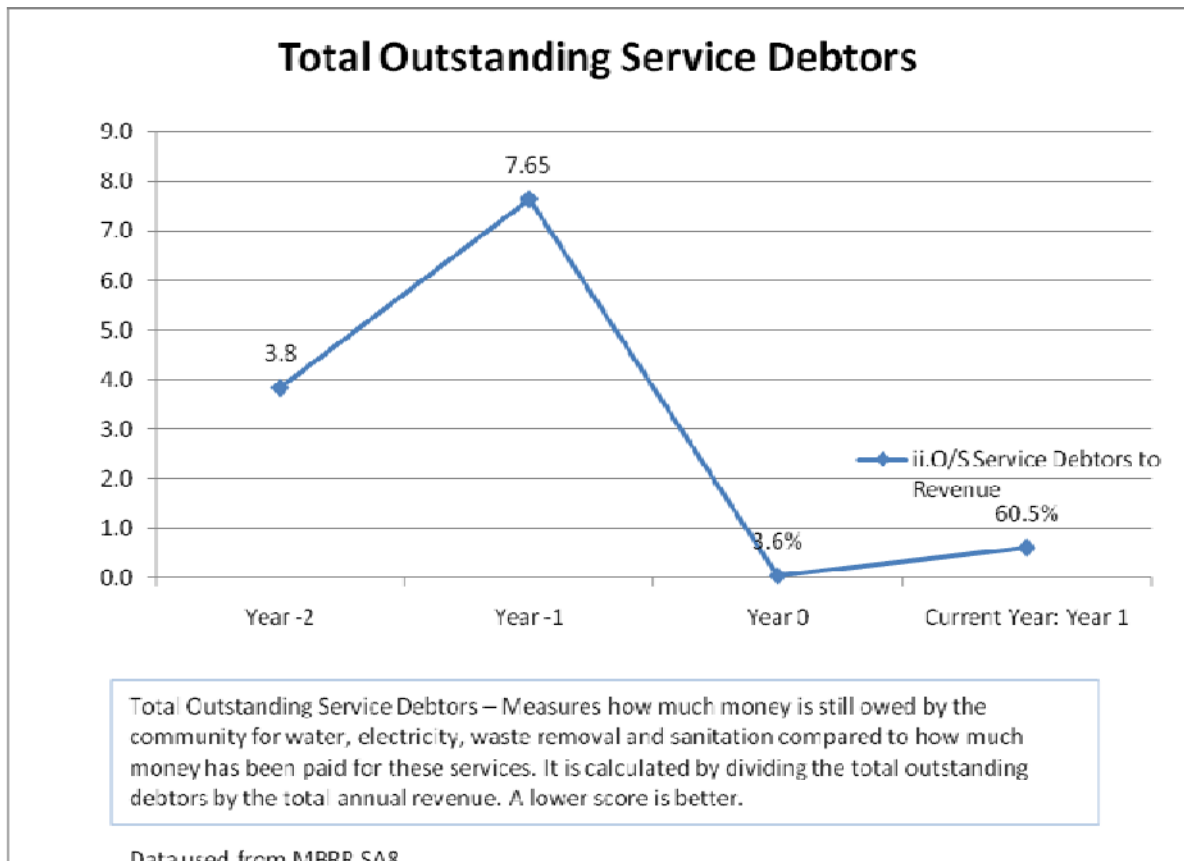
T5.4.1

# Chapter 5



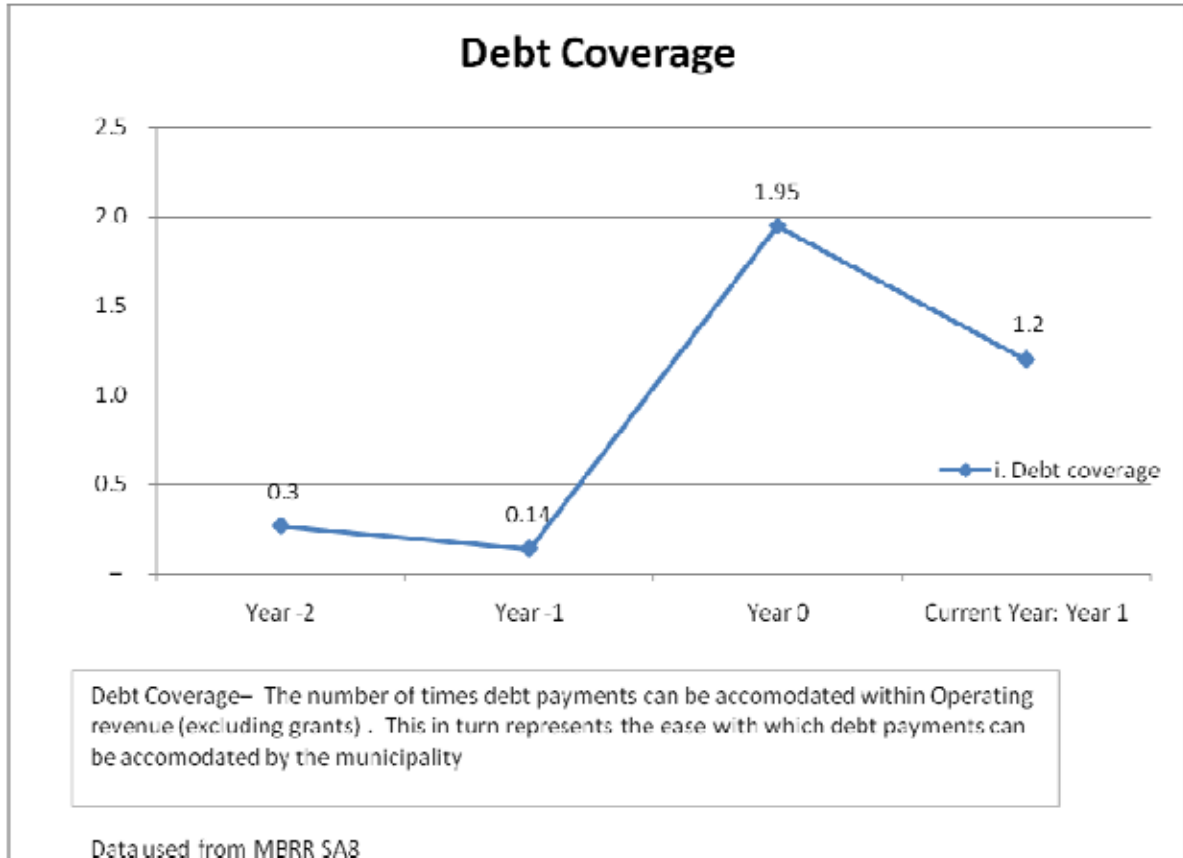
T5.4.2

# Chapter 5



T5.4.3

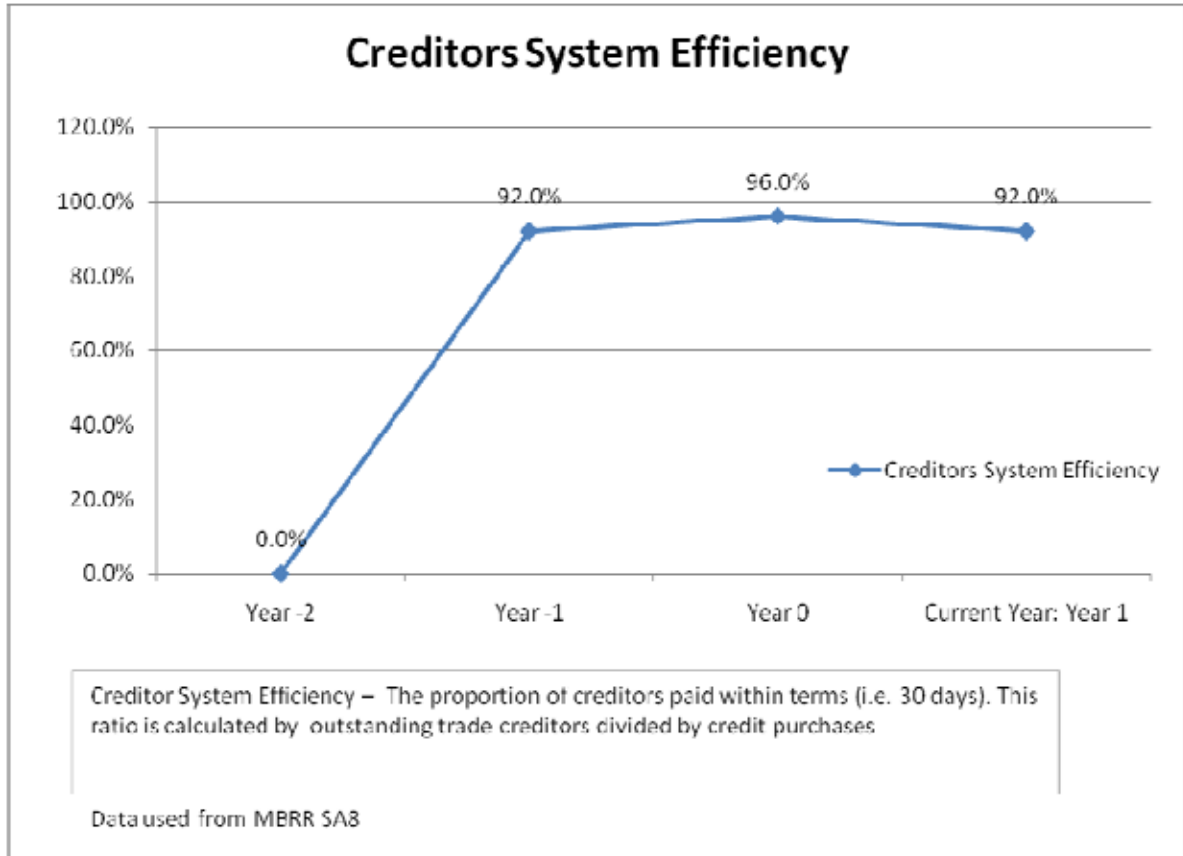
# Chapter 5



T5.4.4

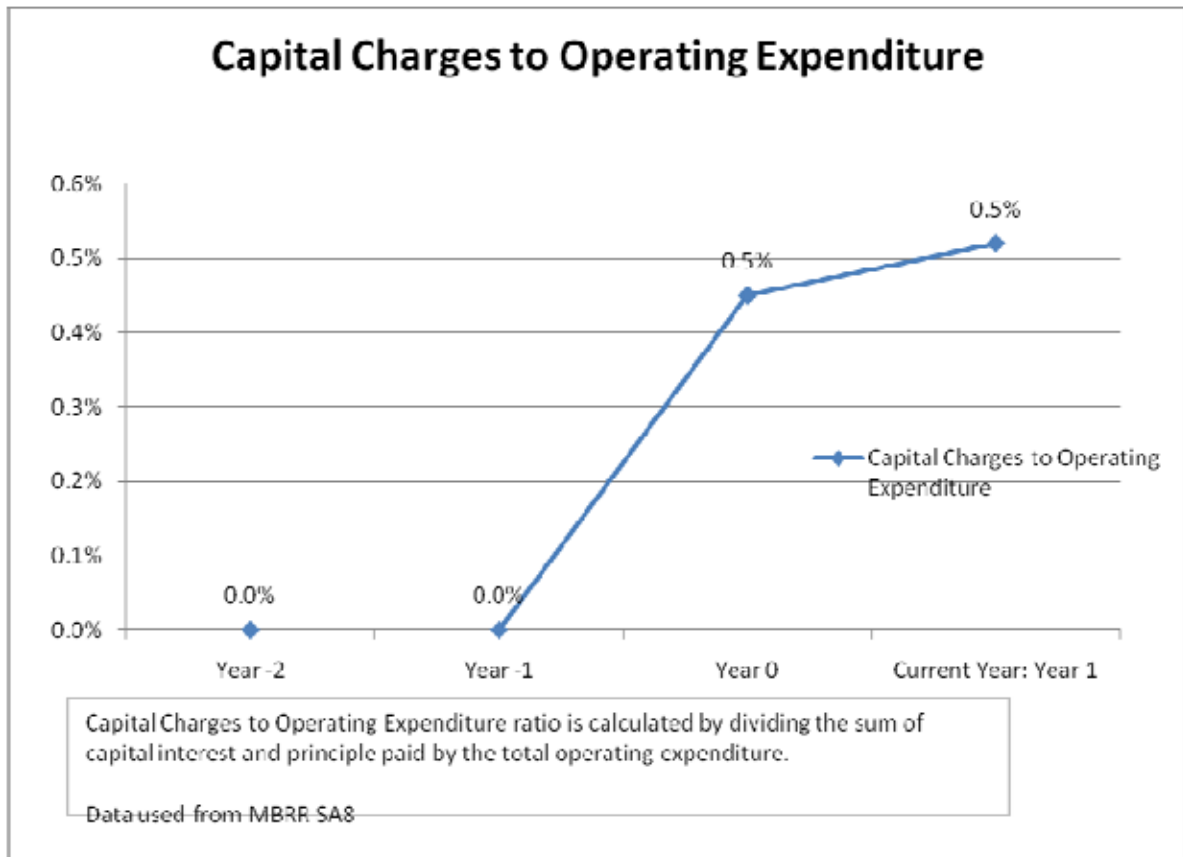


# Chapter 5



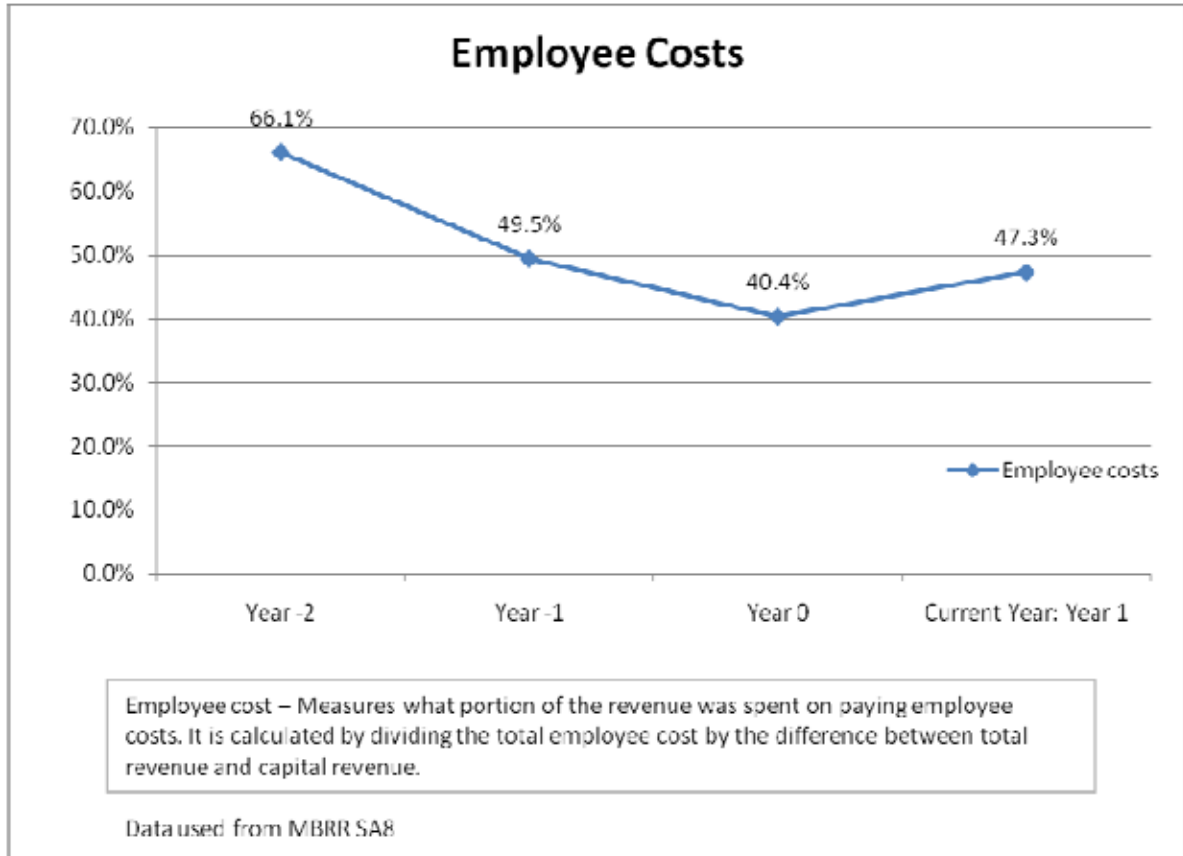
T5.4.5

# Chapter 5



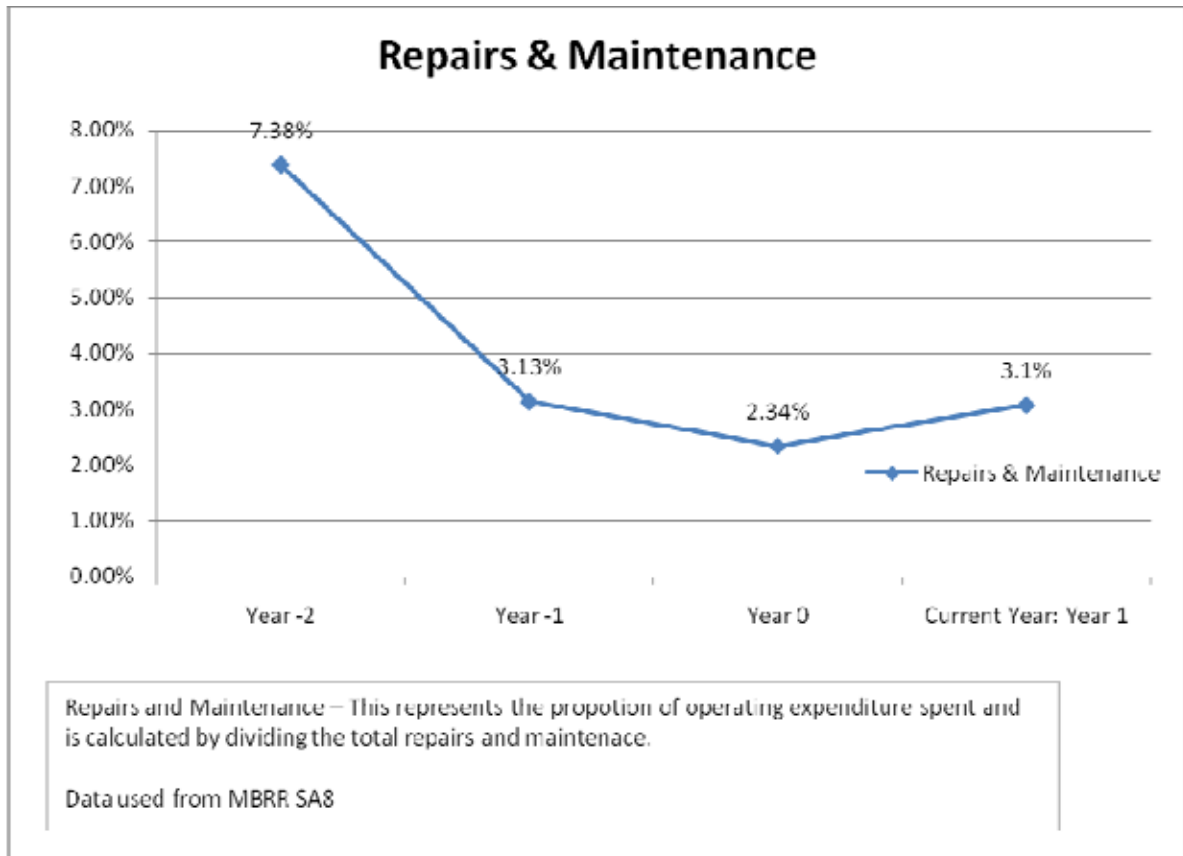
T5.4.6

# Chapter 5



T5.4.7

# Chapter 5



T5.4.8

#### COMMENT ON FINANCIAL RATIOS:

The financial position of the municipality has weakened significantly due to 50% cut (year on year). Furthermore, an increase in liabilities, with a decrease in liquidity ratio, has placed the municipality in an unhealthy position.

T5.4.9

# Chapter 5

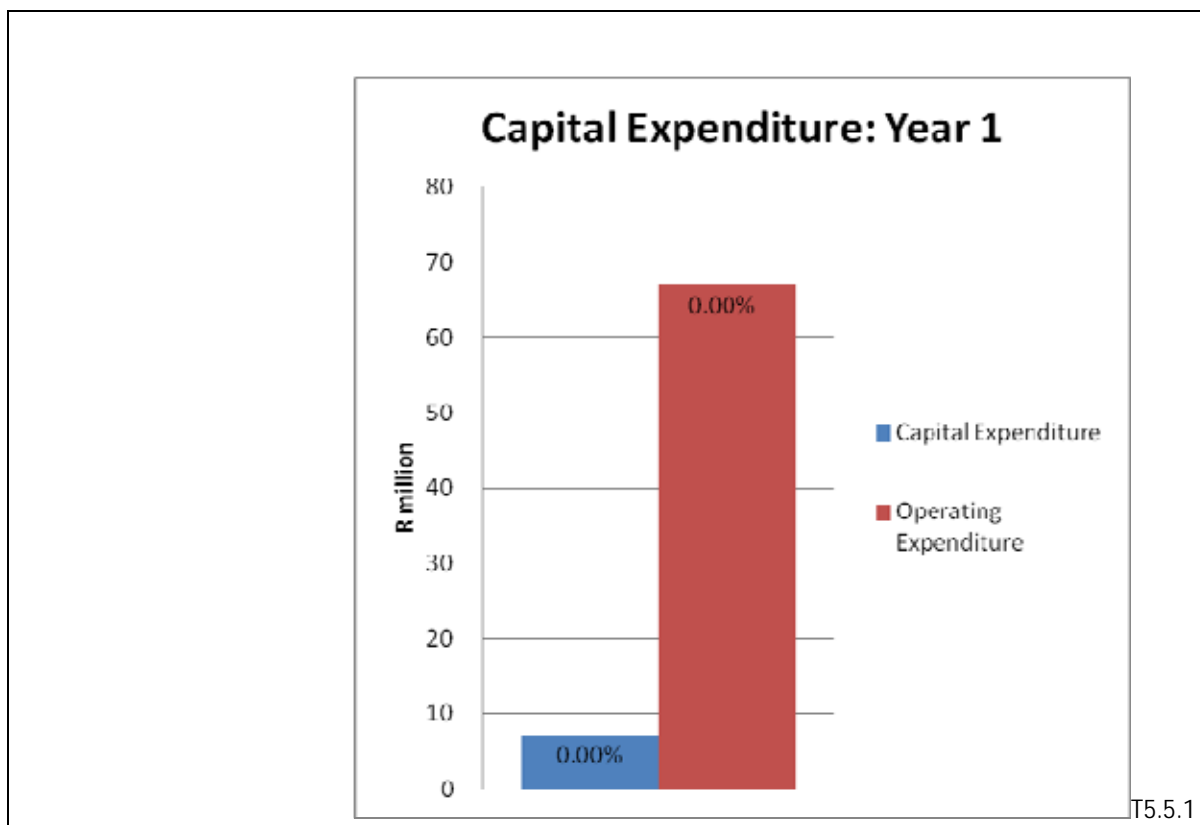
## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital spending is insignificant (less than 10%) of the total budget.

T5.5.0

### 5.5 CAPITAL EXPENDITURE



# Chapter 5

R million	Original Budget	Adjustment Budget	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	5	8	-100.0%	-100.0%
	<b>5</b>	<b>8</b>	-100.0%	-100.0%
Operating Expenditure	62	68	15.0%	4.0%
	<b>62</b>	<b>68</b>	15.0%	4.0%
<b>Total expenditure</b>	<b>67</b>	<b>76</b>	6.0%	-7.0%
Water and sanitation	-	-		
Electricity	-	-		
Housing	-	-		
Roads, Pavements, Bridges and storm water	-	-		
Other	-	-		
	<b>138</b>	<b>135</b>	4.0%	1.5%
External Loans	-	-		
Internal contributions	-	-		
Grants and subsidies	65	69	36.5%	40.6%
Other	-	-		
	<b>138</b>	<b>141</b>	-1.8%	0.0%
External Loans	-	-		
Grants and subsidies	-	-		
Investments Redeemed	-	-		
Statutory Receipts (including VAT)	-	-		
Other Receipts	1	1	-44.5%	-20.3%
	<b>1,182</b>	<b>1,189</b>	-0.8%	-0.2%
Salaries, wages and allowances	35	33	6.7%	-0.4%
Cash and creditor payments	-	-		
Capital payments	-	-		
Investments made	-	-		
External loans repaid	-	-		
Statutory Payments (including VAT)	-	-		
Other payments	26	32	-1.4%	17.2%
	<b>1,115</b>	<b>1,198</b>	-6.1%	1.3%
	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Original Budget variance</b>	<b>Adjusted Budget Variance</b>
Property rates	-	-		
Service charges	-	-		
Other own revenue	-	-		
	<b>-</b>	<b>-</b>		

# Chapter 5

Employee related costs	-	-		
Provision for working capital	-	-		
Repairs and maintenance	2	2	33.8%	34.3%
Bulk purchases	-	-		
Other expenditure	-	-		
	2	2	50.0%	50.0%
Service charges: Electricity	-	-		
Grants & subsidies: Electricity	-	-		
Other revenue: Electricity	-	-		
	-	-		
Employee related costs: Electricity	-	-		
Provision for working capital: Electricity	-	-		
Repairs and maintenance: Electricity	-	-		
Bulk purchases: Electricity	-	-		
Other expenditure: Electricity	-	-		
	-	-		
Service charges: Water	-	-		
Grants & subsidies: Water	-	-		
Other revenue: Water	-	-		
	-	-		
Employee related costs: Water	-	-		
Provision for working capital: Water	-	-		
Repairs and maintenance: Water	-	-		
Bulk purchases: Water	-	-		
Other expenditure: Water	-	-		
	-	-		

# Chapter 5

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources Year 0 to Year 1					
Details		Year 0	Year 1		
		Actual	Original Budget (OB)	Adjustment Budget	Actual
<b>Source of finance</b>					
	External loans	0	0	0	0
	Public contributions and donations	0	0	0	0
	Grants and subsidies	88276020	64875444	69319153	40588152
	Other	2602621	650767	781687	788956
<b>Total</b>		<b>90878641</b>	<b>65526211</b>	<b>70100840</b>	<b>41377108</b>
<i>Percentage of finance</i>					
	External loans	0.00%	0.00%	0.00%	0.00%
	Public contributions and donations	0.00%	0.00%	0.00%	0.00%
	Grants and subsidies	97.10%	99.00%	98.90%	98.10%
	Other	2.90%	1.00%	1.10%	1.90%
<b>Capital expenditure</b>					
	Water and sanitation	0	0	0	0
	Electricity	0	0	0	0
	Housing	0	0	0	0
	Roads and storm water	0	0	0	0
	Other	7479589	4757606	7522892	1457514
<b>Total</b>		<b>7479589</b>	<b>4757606</b>	<b>7522892</b>	<b>1457514</b>
<i>Percentage of expenditure</i>					
	Water and sanitation	0.00%	0.00%	0.00%	0.00%
	Electricity	0.00%	0.00%	0.00%	0.00%



# Chapter 5

	Housing	0.00%	0.00%	0.00%	0.00%
	Roads and storm water	0.00%	0.00%	0.00%	0.00%
	Other	100.00%	100.00%	100.00%	100.00%
T5.6.1					

## COMMENT ON SOURCES OF FUNDING

The significant change in grants received and grants budgeted for results from the R10mil that the municipality budgeted for which was owed by CoGTA. Subsequent year end, CoGTA confirmed that the R10mil grant would not be received.

As a result from the above, the municipality could not under-take any large capital projects.

T5.6.1.1

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

### COMMENT ON CAPITAL PROJECTS

No large projects for the municipality

T5.7.1.1

# Chapter 5

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The starting point for good cash flow management is developing a cash flow projection. It is also imperative to develop historical cash flow statements to understand how the money was used. Understanding the basic concepts of cash flow also helps for the unforeseen eventualities that nearly every municipality faces.

T5.9.0

### 5.9 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	Year 0	Current Year: Year 1		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	(7,646)	66	52	73
Government – operating	88,276	64,8758	69319	40,558
Government – capital				
Interest	731	165	256	284
Dividends				
<b>Payments</b>				
Suppliers and employees	(64,771)	(61,348)	(68,726)	(55,647)
Finance charges	(308)	(70)	(70)	(287)
Transfers and Grants				
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>17,343</b>	<b>5,119</b>	<b>700</b>	<b>(11,886)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of assets	72			5,024
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
<b>Payments</b>				

# Chapter 5

Capital assets	(6,253)	(4,758)	(7,523)	(1,929)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(6,181)</b>	<b>(4,758)</b>	<b>(7,523)</b>	<b>(3,095)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
<b>Payments</b>				
Repayment of borrowing	(398)	(364)	(364)	(452)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(398)</b>	<b>(363)</b>	<b>(364)</b>	<b>(452)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>11,062</b>	<b>0</b>	<b>(7,886)</b>	<b>(9,243)</b>
Cash/cash equivalents at the year begin:	1,358	0	0	11,062
Cash/cash equivalents at the year end:	9,243	0	(7,886)	1,819
Source: MBRR SA7				T5.9.1

## COMMENT ON CASH FLOW OUTCOMES:

In terms of own revenue, the municipality received more than anticipated. The Financial Assistance Grant from COGTA, which was a receivable, was only confirmed in December 2013 that it would not be received. This resulted in the actual on Government Grants receipts to be less than the budget amount and that had a negative effect on supplier payments and employees as outlined above

T5.9.1.1

## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

The municipality as a financially struggling organization only invests excess funds for a short-term aiming at maximizing the available revenue, which would be earning interest. Those said investments would be to meet financial obligations in the subsequent months. The municipality rather had finance leases and overdraft than borrowings.

T5.10.1

# Chapter 5

Municipal and Entity Investments			
Investment* type	Year -1	Year 0	Year 1
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits – Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements – Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	0		0
<b>Municipal Entities</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits – Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements – Banks			
Other			
<b>Entities sub-total</b>	0	0	0
<b>Consolidated total:</b>	0	0	0
			T5.10.4

# Chapter 5

## COMMENT ON BORROWING AND INVESTMENTS:

The municipality did not have any investments and borrowing at year end.

T5.10.5

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.12 SUPPLY CHAIN MANAGEMENT

#### SUPPLY CHAIN MANAGEMENT

The SCM policy that is in line with the model policy prescribed by the National Treasury, as well as the Contract Management Policy, have been developed and workshop conducted to employees of the municipality in February 2013. The SCM implementation checklist is also being implemented effectively by the unit. No Councilor is a member of any committee handling Supply Chain processes. All Supply Chain Officials (intern included) are yet to be fully compliant with the National Treasury competency requirements as they will be attending the MFMP during the 2013/14 financial year that is in accordance with the municipality's Work Skills Plan (WSP), which is over and above the CPMD (7 modules) attended and completed by the Supply Chain Manager only as well as the LGAAC course currently being attended by the Supply Chain Administrator. As for the remarks made by the Auditor-General and the remedial action thereof, queries were raised on non-compliance with the regulation and other applicable legislations, of which AG action plan was developed by the municipality to address such issues.

T5.12.1

### 5.13 GRAP COMPLIANCE

# Chapter 5

## GRAP COMPLIANCE

GRAP is the acronym for **Generally Recognized Accounting Practice** and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

For the 2012/2013 financial year the municipality has complied with GRAP, except issues identified by the AG.

T5.13.1

# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 0

#### 6.1 AUDITOR GENERAL REPORTS YEAR 0 (PREVIOUS YEAR)

Auditor-General Report on Financial Performance Year 0	
<b>Audit Report Status*:</b>	Unqualified with emphasis of matters
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Irregular, unauthorised, fruitless and wasteful expenditure <b>EX.8</b>	<ol style="list-style-type: none"> <li>1. Management will enforce strict adherence to all relevant legislation.</li> <li>2. Management will fully utilize SCM checklist to identify and minimize wasteful and irregular expenditure.</li> </ol>
AFS:Material corrections made to Annual Financial Statements <b>EX.74</b>	<ol style="list-style-type: none"> <li>1. Monthly closing of books.</li> <li>2. Posting will be done timeously.</li> <li>3. Quarterly financials will be prepared and submitted to management and Audit Committee for review</li> <li>4. AFS will be submitted to a technical expert for a high level (technical) review prior submission to the AG.</li> </ol>
Expenditure: Invoices paid after 30 days <b>EX.66</b>	<ol style="list-style-type: none"> <li>1. Recording of all received invoice in the invoice register</li> <li>2. Date stamp all received invoices to keep track of all invoices due for payments</li> </ol>
No proof of banking details sent to National Treasury and AG. <b>EX. 26</b>	<ol style="list-style-type: none"> <li>1. All documents (incoming and outgoing) information of the municipality will be filed through the Electronic Document Management system.</li> </ol>
Budget: Discrepancies noted. <b>EX. 61</b>	<ol style="list-style-type: none"> <li>1. Manager: Budget will submit all BTO reports to the IT Manager on a monthly basis (on the 10th day of the following month) for placement on the municipal website.</li> <li>2. Manager: Budget to submit all adjustments budget documentation to manager IT for placement on the municipal website on the 10th day after budget approval.</li> <li>3. Any variances noted will be explained and remedial actions will be provided.</li> </ol>
<p><i>Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</i></p>	

T6.1.1

# Chapter 6

## COMPONENT B: AUDITOR-GENERAL OPINION YEAR 1 (CURRENT YEAR)

### 6.2 AUDITORGENERAL REPORTYEAR 1

Auditor-General Report on Financial Performance Year 1	
<b>Audit Report Status*:</b>	Qualification
<b>Non-Compliance Issues</b>	
<b>Remedial Action Taken</b>	
Non-Compliance with Municipal Budget and Reporting Regulation Section 18(1)& 30 (1) <b>EX.128</b>	<ol style="list-style-type: none"> <li>1. The Budget and monthly budget statements will be submitted to the IT Unit for placement on the municipality's website within the required timeframes.</li> <li>2. The budgets shall be placed on the municipality's website (made public) within 10 days after approval by council.</li> <li>3. The budget monthly statements shall be placed on the municipal website.</li> </ol>
Non-Compliance with the provision of MFMA 32 (4) <b>EX. 129</b>	The CFO will develop a mechanism to ensure compliance with the provisions of section 32 of the MFMA. The mechanism will include monitoring instruments.
Non-Compliance with Municipal Budget and Reporting Regulation Section 26(1) <b>EX. 130</b>	The budgets shall be placed on the municipality's website (made public) within 10 days after approval by council.
Non-Compliance with Municipal Investment Regulation9(1) <b>EX.131</b>	Submissions to the Mayor shall be made monthly.



# Chapter 6

AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS: YEAR 1

## REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE XHARIEP DISTRICT MUNICIPALITY

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of Xhariep District Municipality set out on pages 185 to 256, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor -General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

# Chapter 6

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for qualified opinion**

### **Property, plant and equipment**

6. SA Standard of GRAP 17 states that “the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. I was unable to obtain sufficient appropriate audit evidence regarding movable tangible assets, as the municipality did not account for the review of useful lives in the asset register submitted for audit. I was unable to confirm the carrying amount of Property, Plant and Equipment and depreciation by alternative means. Consequently I was unable to determine whether any adjustments relating to movable tangible assets stated at R20 082 803 and depreciation stated at R3 370 483 in the financial statements were necessary.

### **Commitments**

7. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all commitments for the current and prior year due to the status of the accounting records. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment to commitments stated at R1 328 470 (2012: R 4 843 658) in the financial statements was necessary.

### **Opinion**

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Xhariep District Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA.

### **Emphasis of matters**

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

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## **Irregular expenditure**

10. As disclosed in note 36 to the financial statements, the municipality incurred irregular expenditure of R17 774 097 (2012: R 12 817 074) as proper procurement processes had not been followed as required by the supply chain management (SCM) regulations. The full extent of the irregular expenditure of R 17 774 097 is disclosed in note 36 to the financial statements.

## **Unauthorised expenditure**

11. As disclosed in note 34 to the financial statements, the municipality incurred unauthorised expenditure of R 11 151 137 (2012: R 5 483 481) due to inadequate budgetary control measures.

## **Restatement of corresponding figures**

12. As disclosed in note 33 to the financial statements, the corresponding figures for the year ended 30 June 2012 have been restated as a result of errors discovered during the year ended 30 June 2013 in the financial statements of Xhariep District Municipality at, and for the year ended, 30 June 2012.

## **Financial Sustainability**

13. The financial statements included in the annual report on [page 185 to 256](#) indicates that the Xhariep District Municipality incurred a deficit of R 29 390 104 during the year ended 30 June 2013 and, as of that date, the municipality's unspent conditional grants and a receipt of R1 992 053 exceeds the cash balance held by the municipality of R1 819 068. The net cash flow from operating activities is negative by an amount of R11 886 257 and the current liability of R8 520 540 exceed the current asset of R3 729 369. These conditions, along with other matters as set forth in the note 41, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

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

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

## **Predetermined objectives**

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

# Chapter 6

16. The reported performance against predetermined objectives was evaluated against the criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
17. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
18. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

## **Additional matter**

19. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives reported above.

## **Achievement of planned targets**

20. Of the total number of 133 targets planned for the year, 47 of targets were not achieved during the year under review. This represents 35% of total planned targets that were not achieved during the year under review.

## **Compliance with laws and regulations**

21. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

## **Annual financial statements, performance and annual reports**

22. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

## **Expenditure Management**

23. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.

# Chapter 6

24. Unauthorised, irregular and fruitless and wasteful expenditure was not investigated and as a result it was not recovered from the liable person, as required by section 32(2) of the MFMA.
25. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

## **Procurement and contract management**

26. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the municipality requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).

## **Conditional Grants received**

27. The municipality did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of DoRA.

## **Budgets**

28. Monthly budget statements were not submitted on time to the Mayor and the relevant Provincial Treasury as required by section 71(1) of the MFMA.
29. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget in contravention of section 15 of the MFMA.

## **Revenue Management**

30. An effective system of internal control for debtors was not in place, as required by section 64(2) of the MFMA.
31. Interest was not charged on all accounts in arrears, as required by section 64(2) (g) of the MFMA.

## **Asset Management**

32. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the Municipal Finance Management Act.

# Chapter 6

## **Consequences Management**

33. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

## **Internal Control**

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

## **Leadership**

35. The leadership of Xhariep District Municipality neglected to evaluate whether management had implemented effective internal controls. They did not gain a comprehensive understanding of how senior management members had met their responsibilities in terms of ensuring proper record management for preparing the financial statements and monitoring compliance to laws and regulations.
37. The leadership neglected to take appropriate action to address the lack of discipline in the finance and SCM directorates; this resulted in non-compliance matters reported above which in turn gave rise to the high level of irregular expenditure incurred in the financial statements.

## **Financial and performance management**

38. The leadership of the municipality neglected to develop, implement and monitor internal control procedures to ensure that financial statements are prepared and subject to review. This oversight resulted in the challenge faced to submit financial statements to audit that are fully compliant to the SA Standards of GRAP and necessitated the amendment of financial statements provided for audit purposes and a qualified audit opinion.
39. Due to inadequate oversight on the part of senior management of the district municipality the regular review and monitoring of compliance to laws and regulations were not sufficiently prioritised. As a result, material non-compliance issues were noted that could have been prevented. The municipality did not have the human resource capacity throughout the financial year to adequately address prior year issues and weaknesses

# Chapter 6

identified in the financial and control systems of the district municipality. This necessitated the municipality to make use of consultants to supplement such constraints.

40. Due to time pressure brought about by the fact that the process of preparing the financial statements was only started late in the financial year, sufficient time was not available to the Accounting Officer to properly review such statements for completeness and accuracy prior to submission thereof for auditing. This resulted in numerous findings relating to different account balances, classes of transactions and disclosures.

41. Staff within the finance and SCM directorate of the district municipality has insufficient understanding of the accounting framework and the SCM regulations. This contributed towards the misstatements identified in the financial statements and non-compliance with laws and regulations.

Bloemfontein

30 November 2013



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

T6.2.3

## COMMENTS ON AUDITOR-GENERAL'S OPINION YEAR 1:

During the 2011/2012 financial year, the municipality obtained an unqualified audit opinion due to its irregular expenditure and going concern which is a continuous major concern. Whilst the municipality was in a process of implementing remedial actions to address the queries raised during the preceeding year, there was an

# Chapter 6

enormous change in management and a lot of vacancies in the Budget and Treasury Office which led to operations not being fully executed. The municipality then obtained a qualified audit opinion during the 2012/2013 financial year due to its commitments and fixed assets.

Additionally, there were other matters of non-compliance and internal control deficiencies identified.

T6.2.4

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES: Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief financial officer states that these data sets have been returned according to the reporting requirements/ with the exception of those items and for those reasons given at **Appendix S** (*delete '/'...' if not applicable*)

The municipality did not submit all its returns timeously due to changes in reporting templates as the returns that were submitted on time we compiled using outdated templates. That has however been corrected.

Signed (Chief financial Officer)..... Dated

T6.2



# GLOSSARY

GLOSSARY	
<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.

# GLOSSARY

<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.

# GLOSSARY

<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

# APPENDICES

## APPENDICES

### APPENDIX A –COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
CLLR MG NTWANAMBI	FT	Executive Mayor – Mayoral	ANC	54%	46%
		Council	ANC		
CLLR MG MODISE	FT	Corporate Services	ANC	62%	38%
		Mayoral Committee	ANC		
		Council	ANC		
CLLR JAFTA	PT	Planning & Social Development	ANC	77%	23%
		Council	ANC		
CLLR MM KHOTLELE	PT	Corporate Services	ANC	77%	23%
		Council	ANC		
CLLR MJ MOHAPI	PT	Budget and Treasury	ANC	70%	30%
		Council	ANC		
CLLR MJ MPHORE	PT	Corporate Services	COPE	92%	8%
		Council	COPE		
CLLR AJJ VAN RENSBURG	PT	Planning & Social dev	DA	62%	38%

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		Council	DA		
CLLR SA SOLA	PT	Budget & Treasury	ANC	77%	23%
		Council	ANC		
CLLR NC SPOCHTER	PT	Corporate Services	ANC	77%	23%
CLLR H SHEBE	PT	Budget & Treasury	DA	92%	8%
		Council	DA		
CLLR VA MONA	FT	Budget & Treasury	ANC	92%	8%
CLLR P DIBE	PT	Planning & Social Development	ANC	70%	30%
		Council	ANC		
CLLR I MEHLOMAKULU	FT	Planning & Social Development	ANC	77%	23%
		Mayoral Committee	ANC		
		Council	ANC		
CLLR MJ SEHANKA	FT	Speaker - Council	ANC	92%	8%
CLLR JJ MAKITLE	PT	Budget & Treasury	ANC	70%	30%
		Council	ANC		
CLLR ML SEHLOHO	PT	Budget & Treasury	ANC	70%	30%
		Council	ANC		

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

T A.1

# APPENDICES

## APPENDIX B—COMMITTEES AND COMMITTEE PURPOSES

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Oversight Committee	Playing an oversight Role over the finances and the administration of the Municipality
Audit Committee	Performing duties as stipulated in Section 166 of the MFMA

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## APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 4, Part B functions:</b>		
Air pollution	No	
Building regulations	No	
Child care facilities	No	
Electricity and gas reticulation	No	
Firefighting services	No	
Local tourism	Yes	
Municipal airports	No	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	No	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	
Stormwater management systems in built-up areas	No	
Trading regulations	No	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	
<i>Continued next page</i>		
<i>Continued from previous page</i>		
Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 5, Part B functions:</b>		

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Beaches and amusement facilities	No	
Billboards and the display of advertisements in public places	No	
Cemeteries, funeral parlours and crematoria		
Cleansing	No	
Control of public nuisances	No	
Control of undertakings that sell liquor to the public	No	
Facilities for the accommodation, care and burial of animals	No	
Fencing and fences	No	
Licensing of dogs	No	
Licensing and control of undertakings that sell food to the public	No	
Local amenities	No	
Local sport facilities	No	
Markets	No	
Municipal abattoirs	No	
Municipal parks and recreation	No	
Municipal roads	No	
Noise pollution	No	
Pounds	No	
Public places	No	
Refuse removal, refuse dumps and solid waste disposal	No	
Street trading	No	
Street lighting	No	
Traffic and parking	No	
<i>* If municipality: indicate (yes or No); * If entity: Provide name of entity</i>		T D

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 5, Part B functions:</b>		
Beaches and amusement facilities	No	
Billboards and the display of advertisements in public places	No	
Cemeteries, funeral parlours and crematoria	No	
Cleansing	No	
Control of public nuisances	No	



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Control of undertakings that sell liquor to the public	No	
Facilities for the accommodation, care and burial of animals	No	
Fencing and fences	No	
Licensing of dogs	No	
Licensing and control of undertakings that sell food to the public	No	
Local amenities	No	
Local sport facilities	No	
Markets	No	
Municipal abattoirs	No	
Municipal parks and recreation	No	
Municipal roads	No	
Noise pollution	No	
Pounds	No	
Public places	No	
Refuse removal, refuse dumps and solid waste disposal	No	
Street trading	No	
Street lighting	No	
Traffic and parking	No	
<i>* If municipality: indicate (yes or No); * If entity: Provide name of entity</i>		T D

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## APPENDIX G –RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 1

Municipal Audit Committee Recommendation		
Date of meeting of Committee	Audit recommendation during year 1	Recommendation adopted (enter Yes) if no provide provided (provide explanation)
17 August 2012	The Revised Risk Management Strategy, Risk Assessment Report as well as the Risk Register be presented to the Risk Committee prior submission to the Shared Audit and Performance Committee.	Yes
	Risk Committee should hold their meeting prior the meetings of the Shared Audit and Performance Committee.	Yes
	Management to develop controls for achieving clean audit.	Yes
	Internal Audit report on quarterly basis to the SAPC on progress made by Management and CFO towards Operation Clean Audit.	Yes
	Chief Financial Officer to submit quarterly Financial Statement to the SAPC using the template provided by National Treasury.	Yes
	Action plan be presented to SAPC members.	Yes
	Internal Auditors to conduct peer reviews on Quality Assurance	Training on Quality assurance still pending.
	Internal Auditors to undergo training on Quality Assurance.	The Institute of Internal Auditors postponed the training until further notice.
	Makomota to submit annexures of the financial Statements no later than Wednesday to SAPC members.	No
	The draft Audit Committee Report be edited to include comments made by SAPC.	Yes

# APPENDICES

	The Compliance Evaluation Matrix should form part of all quarterly SAPC meetings, and evidence should be provided to substantiate performance by SAPC.	Yes
	SAPC agenda be numbered in a continuous format.	Yes
	Action plan be presented to SAPC members.	Yes
<b>03 October 2012</b>	CAE's to confirm with the SAPC members through an e-mail if it will be possible to have a SAPC meeting between the dates of 27 – 29 November 2012.	Yes
<b>25 March 2013</b>	Bi-annual Financial Statements to be submitted at the next scheduled meeting.	Yes
	CAE to contact IIA SA for the pro-forma invoice for the training on Quality Assurance	Yes
	Compliance Evaluation Matrix to be completed and submitted at the next SAPC meeting.	Yes
	Numbering of the SAPC agenda in a continuous format be postponed for implementation to the forthcoming financial year.	Yes
	The risk profile of the Shared Audit and Performance Committee to remain the same.	Yes
	The SAPC risk template to be forwarded to the CAE	Yes
	Risk registers to be a standing item in all SAPC meeting	Yes
	Progress to be reported in the forthcoming SAPC meeting on all Risk Management activities.	No, the position of Chief Risk Officer is still vacant.
	Report on the implementation of management action plan should be a standing item in all SAPC meeting.	Yes
	The AGSA Key Controls Dashboard report should be presented in all SAPC meeting.	Yes

# APPENDICES

	An analysis prepared by the PMS unit on quarterly performance should be a standing item in all SAPC meetings.	Yes
	A work shop on asset management policy and all budget related policy be conducted to all employees	No
	The SAPC to send 1 <sup>st</sup> and 2 <sup>nd</sup> quarter Audit Committee reports, report in response to issues raised by AGSA and report in terms of performance regulation to council to the CAE.	Yes
<b>13 June 2012</b>	CRO to be appointed before the end of 1 <sup>st</sup> quarter.	In progress
	A workshop on Asset Management policy to be conducted.	No
	Non implemented resolution of SAPC to be deferred to the forthcoming year.	In progress
	Monthly follow up of SAPC resolution.	Yes
	Review of SAPC charter to include requirements of IIA	In progress
	Review of material figures on Interim Financial Statements for supporting documentation	No, Audit File was not provided to Internal Audit

# APPENDICES

## APPENDIX H—LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into Year 1)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
L2 Consulting	Microsoft volume licensing	24-Jul-12	Once off	Mr T Lomo	R510,000.00
Makomota Investment Holdings PTY (ltd)	GRAP compliant AFS	5-Jul-12	Once off	Miss SY Mgudlwa	R549,423.00
Ema le rona Trading cc	Document Management System	27-Sep-12	Once off	Mr T Lomo	R640,000.00
LQ Technologies	Upgrading of IT system at Xhariep District Municipality	31-Oct-12	Once off	Mr T Lomo	R896,952.00
Njunga Construction	Upgrading of IT system at Letsemeng Local Municipality	31-Oct-12	Once off	Mr T Lomo	R957,000.00
Stimer construction and projects	Provision and installation of security system at Letsemeng Local Municipality	31-Oct-12	Once off	Mr T Lomo	R2,820,523.59
Lekhetho and sons	Supply of two blade servers and one sharepoint server for XDM	31-Oct-12	Once off	Mr T Lomo	R332,880.00
Stimer construction and projects	Installation of wireless alarm system	31-Oct-12	Once off	Mr T Lomo	R676,933.00
KTP Management Consultancy	Review of LED strategy	10-Dec-12	Once off	Mr M Mohale	R189,111.00
					T H.1

# APPENDICES

## APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Municipal Entity/Service Provider Performance Schedule									
Name of Entity & Purpose	(a) Service Indicators	Year 0		Year 1		Year 2	Year 4		
	(b) Service Targets	Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year	(vii) )	*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(viii)	(ix)	(x)	
<i>Friday Management Solutions (Review of Organisational Performance Management System)</i>	31-Jul-13			31-Jul-13	31-Jul-13				
<i>Mokamota Investment Holdings Pty Ltd (GRAP Compliant AFS)</i>	31-Aug-12	31-Aug-12	31-Aug-13	31-Aug-13	31-Aug-13				

# Contents

<b><i>Stimer construction &amp; projects (Installation of Wireless alarm system)</i></b>	31- Nov- 12	31- Nov- 12	31- Nov -12						
<b><i>Capricorn Group (Training of Occupational Health and Safety for EPWP labourers)</i></b>	12- Dec-12	12- Dec-12	12- Dec- 12						

*Note: This statement should include no more than the top four priority indicators. \* 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; \* 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. \* 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets must be fundable within approved budget provision. In column (ii) set out the Service Indicator (In bold italics) then the Service Target underneath (not in bold - standard type face) to denote the difference.*

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# APPENDICES

## APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 1 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
<b>(Executive) Mayor</b>	M.G Ntwanambi	Nil
<b>Member of MayCo / Exco</b>		
	M.G Modise	Nil
	N.I Mehlomakhulu	Nil
	V. Mona	Nil
<b>Councillor</b>	N Jafta	Nil
	H Shebe	Volksblad
	MM Khotlele	Nil
	M.J Mohapi	Nil
	M.J Mphore	Thupzen General Trading; Lesdi FM
	NC Spochter	Nil
	S. A Sola	Sanlam omputers
<b>Municipal Manager</b>	T.L Mkhwane	Nil
<b>Chief Financial Officer</b>	E N Mokhesuoe	Nil
<b>Deputy MM and (Executive) Directors</b>	MM Kubeka	Nil
<b>Other S57 Officials</b>	MM Seekoei	Nil



# Contents

<i>* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ</i>		

# VOLUME II

## APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

### APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
						R' 000
Vote Description	Year 0	Current Year: Year 1			Year 1 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Vote 1 - General Council	5,779	8,368	8,132	8,132	97.18%	100.00%
Vote 2 - Municipal Manager	12,596	6,049	5,880	5,880	97.21%	100.00%
Vote 3 - Budget & Treasury Office	47,305	13,283	21,464	21,464	161.59%	100.00%
Vote 4 - Planning & Development	8,177	12,017	11,901	11,901	99.03%	100.00%
Vote 5 - Corporate Services	17,967	26,829	26,110	26,110	97.32%	100.00%
Vote 6 - Community Services						
Vote 7 - [Name of sub-vote]						
Vote 8 - [Name of sub-vote]						
Vote 9 - [NAME OF VOTE 9]						
Vote 10 - [NAME OF VOTE 10]						
Vote 11 - [NAME OF VOTE 11]						
Vote 12 - [NAME OF VOTE 12]						
Vote 13 - [NAME OF VOTE 13]						
Vote 14 - [NAME OF VOTE 14]						
Vote 15 - [NAME OF VOTE 15]						
<b>Total Revenue by Vote</b>	<b>91,824</b>	<b>66,546</b>	<b>73,486</b>	<b>73,486</b>	<b>0</b>	<b>0</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3*

TK.1

# Contents

## APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
						R '000
Description	Year 0	Year 1			Year 1 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates						
Property rates - penalties & collection charges						
Service Charges - electricity revenue						
Service Charges - water revenue						
Service Charges - sanitation revenue						
Service Charges - refuse revenue						
Service Charges - other						
Rentals of facilities and equipment	367	485	523	505	-4%	-3%
Interest earned - external investments	731	165	256	285	-72%	-11%
Interest earned - outstanding debtors						
Dividends received						
Fines						
Licences and permits						
Agency services						
Transfers recognised - operational	88,276	64,875	69,319	40,558	27.5%	17%
Other revenue	1,504			-		
Gains on disposal of PPE						
Environmental Protection						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>90,878</b>	<b>65,526</b>	<b>70,101</b>	<b>41,337</b>	<b>37%</b>	<b>41%</b>

*Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.*

T K.2

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## APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant				%	%	
				%	%	
				%	%	
Public Transport Infrastructure and Systems Grant				%	%	
				%	%	
				%	%	
				%	%	
<i>Other Specify:</i>				%	%	
				%	%	
				%	%	
				%	%	
<b>Total</b>				%	%	
<i>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						TL

### COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG:

Refer to note 17 of the Annual Financial Statements for conditional grants received by the municipality and the expenditure thereof.

TL.1

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

### APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	Year 0	Year 1			Planned Capital expenditure		
		Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2
	R '000						
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	-	-		-	-	-	-
<b>Infrastructure: Road transport - Total</b>	-	-		-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>							
<i>Storm water</i>							
<b>Infrastructure: Electricity - Total</b>	-	-		-	-	-	-
<i>Generation</i>							
<i>Transmission &amp; Reticulation</i>							
<i>Street Lighting</i>							
<b>Infrastructure: Water - Total</b>	-	-		-	-	-	-
<i>Dams &amp; Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
<b>Infrastructure: Sanitation - Total</b>	-	-		-	-	-	-
<i>Reticulation</i>							

# Contents

<i>Sewerage purification</i>							
<b>Infrastructure: Other - Total</b>	-	-		-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
<b>Community - Total</b>	-	-		-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							

*Table continued next page*

# Contents

Table continued from previous page

Capital Expenditure - New Assets Programme*							
Description	R '000						
	Year 0	Year 1			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b><u>Capital expenditure by Asset Class</u></b>							
<b><u>Heritage assets - Total</u></b>	-	-		-	-	-	-
Buildings							
Other							
<b><u>Investment properties - Total</u></b>	-	-		-	-	-	-
Housing development							
Other							
-							
<b><u>Other assets</u></b>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							

# Contents

<b>Agricultural assets</b>	-	-		-	-	-	-
<i>List sub-class</i>							
<b>Biological assets</b>	-	-		-	-	-	-
<i>List sub-class</i>							
<b>Intangibles</b>	-	-		-	-	-	-
Computers - software & programming							
Other ( <i>list sub-class</i> )							
<b>Total Capital Expenditure on new assets</b>	-	-		-	-	-	-
<b>Specialised vehicles</b>							
	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)							TM.1



# Contents

## APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Capital Expenditure - Upgrade/Renewal Programme*							
							R '000
Description	Year 0	Year 1			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	-	-		-	-	-	-
Infrastructure: Road transport -Total	-	-		-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>							
<i>Storm water</i>							
<b>Infrastructure: Electricity - Total</b>	-	-		-	-	-	-
<i>Generation</i>							
<i>Transmission &amp; Reticulation</i>							
<i>Street Lighting</i>							
<b>Infrastructure: Water - Total</b>	-	-		-	-	-	-
<i>Dams &amp; Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
<b>Infrastructure: Sanitation - Total</b>	-	-		-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
<b>Infrastructure: Other - Total</b>	-	-		-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							

# Contents

<i>Gas</i>							
<i>Other</i>							
<b><u>Community</u></b>	-	-		-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
<b><u>Heritage assets</u></b>	13,580			13,202	-	-	-
Buildings	13,580			13,202			
Other							

*Table continued next page*

# Contents

Table continued from  
previous page

Capital Expenditure - Upgrade/Renewal Programme*							
							R '000
Description	Year 0	Year 1			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b><u>Capital expenditure by Asset Class</u></b>							
<b><u>Investment properties</u></b>	-	-		-	-	-	-
Housing development							
Other							
<b><u>Other assets</u></b>	8,462			6,880	-	-	-
General vehicles	840			570			
Specialised vehicles	-		-	-			
Plant & equipment							
Computers - hardware/equipment	870			498			
Furniture and other office equipment	1,318			1,175			
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other	5,434			4,637			
<b><u>Agricultural assets</u></b>	-	-		-	-	-	-
<i>List sub-class</i>							

# Contents

<b>Biological assets</b>	-	-		-	-	-	-
<i>List sub-class</i>							
<b>Intangibles</b>	-	-		-	-	-	-
Computers - software & programming							
Other ( <i>list sub-class</i> )							
<b>Total Capital Expenditure on renewal of existing assets</b>	-	2,958		4,302	-	-	-
<b>Specialised vehicles</b>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)							T M.2

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## APPENDIX S – DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

MFMA Section 71 Returns Not Made During Year 1 According to Reporting Requirements	
Return	Reason Return has not been properly made on due date
1-Jul-12	Report was compiled and submitted on time but were not considered due to the fact that the municipality submitted the returns on outdated templates.
1-Aug-12	The report was compiled and submitted on time but was not considered due to the fact that the municipality submitted the said return on an outdated template.
1-Sep-12	The report was compiled and submitted on time but was not considered due to the fact that the municipality submitted the said return on an outdated template.
1-Oct-12	The report was compiled and submitted on time but was not considered due to the fact that the municipality submitted the said return on an outdated template.
1-Dec-12	The report was compiled and submitted on time but was not considered due to the fact that the municipality submitted the said return on an outdated template.
1-Jan-13	The report was compiled and submitted on time but was not considered due to the fact that the municipality submitted the said return on an outdated template.
T S	

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## APPENDIX T – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	N/A	
Output: Implementation of the Community Work Programme	N/A	
Output: Deepen democracy through a refined Ward Committee model	N/A	
Output: Administrative and financial capability	Xhariep is doing well in terms of this output. For the past two financial years the municipality made remarkable strides in terms of improving its Audit opinion from a qualification to unqualified. Budget related policies are in place and approved by Council. Financial statements are GRAP Compliant.	85%
* Note: Some of the outputs detailed on this table might have been reported for in other chapters, the information thereof should correspond with previously reported information.		

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# VOLUME II

## VOLUME II: ANNUAL FINANCIAL STATEMENTS

Provide the Annual Financial Statements (AFS) to the respective financial year as submitted to the Auditor-General. The completed AFS will be Volume II of the Annual Report.



Xhariep District Municipality  
(Registration number : DC 16)  
Financial statements  
for the year ended June 30, 2013



# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## General Information

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### Nature of business and principal activities

Administering and making rules of the district, which includes Kopanong Local Municipality, Letsemeng Local Municipality and Mohokare Local Municipality and Naledi Local Municipality.

### Mayoral committee

Executive Mayor

Councillors

Cllr M Ntwanambi

Speaker:

Cllr MJ Sehanka

Members of Mayoral Committee

Cllr M Ntwanambi

Cllr MG Modise

Cllr V Mona

Cllr V Mona

Chief Whip:

Cllr I Mehlomakhulu

Councillors of the Council:

Cllr P Dibe

Cllr NS Jafta

Cllr MM Khotlele

Cllr MJ Mohapi

Cllr Mphore

Cllr JJ Makitle

Cllr SA Sola

Cllr NC Spochter

Cllr H Shebe

Cllr AJ Van Rensburg

Cllr ML Sehloho **Grading**

### of local authority

Low Capacity **Accounting Officer**

Mr MM Kubeka (Acting) **Chief Finance Officer (CFO)**

Me SY Mgudlwa (Acting)

### Registered office

20 Louw Street

Trompsburg

9913

### Business address

20 Louw Street

Trompsburg

9913

### Postal address

P.O. Box 136

Trompsburg

9913

### Bankers

ABSA Bank Limited

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Xhariep District Municipality**

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. Refer to note number 43 to the Annual Financial Statements.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 55, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2013 and were signed on its behalf by:

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**Accounting Officer**  
**Mr MM Kubeka**

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Financial Position as at June 30, 2013

Figures in Rand	Note(s)	2013	2012
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	3	123,671	36,020
Investments	4	-	5,000,000
Receivables from exchange transactions	5	806,729	1,333,339
Receivables from non-exchange transactions	6	-	10,000,000
VAT receivable	7	979,901	2,466,483
Cash and cash equivalents	8	1,819,068	11,062,090
		<b>3,729,369</b>	<b>29,897,932</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	20,082,803	22,042,469
Intangible assets	10	739,015	455,024
		<b>20,821,818</b>	<b>22,497,493</b>
<b>Total Assets</b>		<b>24,551,187</b>	<b>52,395,425</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	11	-	362,288
Payables from exchange transactions	12	6,291,487	5,076,188
Unspent conditional grants and receipts	13	1,992,053	1,523,205
Long service bonus	14	237,000	219,000
		<b>8,520,540</b>	<b>7,180,681</b>
<b>Non-Current Liabilities</b>			
Long service bonus	14	879,000	673,000
<b>Total Liabilities</b>		<b>9,399,540</b>	<b>7,853,681</b>
<b>Net Assets</b>		<b>15,151,647</b>	<b>44,541,744</b>
<b>Net Assets</b>			
Accumulated surplus		15,151,647	44,541,744

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Financial Performance

Figures in Rand

	Note(s)	2013	2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment		432,517	366,954
Other income	15	72,623	1,504,275
Interest income	16	283,816	731,392
<b>Total revenue from exchange transactions</b>		<b>788,956</b>	<b>2,602,621</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	17	40,588,152	88,276,020
<b>Total revenue</b>		<b>41,377,108</b>	<b>90,878,641</b>
<b>Expenditure</b>			
Employee related costs	18	30,159,010	24,585,630
Remuneration of councilors	19	3,318,054	2,895,433
Depreciation and amortization	20	3,648,189	2,307,367
Impairment loss/ Reversal of impairments	21	-	18,137
Finance costs	22	286,676	307,741
Debt impairment	23	10,777,736	9,388
Repairs and maintenance	24	1,271,312	2,124,674
General Expenses	25	21,284,269	35,812,832
<b>Total expenditure</b>		<b>70,745,246</b>	<b>68,061,202</b>
<b>Operating (deficit) surplus</b>		<b>(29,368,138)</b>	<b>22,817,439</b>
(Loss) gain on disposal of assets and liabilities		(21,966)	21,682
<b>(Deficit) surplus for the year</b>		<b>(29,390,104)</b>	<b>22,839,121</b>
<b>Attributable to:</b>			
Owners of the controlling entity		(29,390,104)	22,839,121

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 01, 2011</b>	<b>21,702,623</b>	<b>21,702,623</b>
Changes in net assets		
Surplus for the year	22,839,121	22,839,121
Total changes	22,839,121	22,839,121
<b>Balance at July 01, 2012</b>	<b>44,541,751</b>	<b>44,541,751</b>
Changes in net assets		
Surplus for the year	(29,390,104)	(29,390,104)
Total changes	(29,390,104)	(29,390,104)
<b>Balance at June 30, 2013</b>	<b>15,151,647</b>	<b>15,151,647</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Cash Flow Statement

Figures in Rand

Note(s)	2013	2012	
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
	254,017	(7,646,048)	
Sale of goods and services			
Grants	40,588,152	88,276,020	
Interest income	283,816	731,392	
	<u>41,125,985</u>	<u>81,361,364</u>	
<b>Payments</b>			
	(33,477,064)	(27,481,063)	
Employee costs			
Suppliers	(19,248,502)	(37,289,516)	
Finance costs	(286,676)	(307,741)	
	<u>(53,012,242)</u>	<u>(65,078,320)</u>	
<b>Net cash flows from operating activities</b>	<b>27</b>	<b>(11,886,257)</b>	<b>16,283,044</b>
<b>Cash flows from investing activities</b>			
	9	(1,457,514)	(6,013,453)
Purchase of property, plant and equipment			
Proceeds from sale of property, plant and equipment	9	24,731	40,288
Purchase of other intangible assets	10	(472,079)	(240,000)
Proceeds from sale of financial assets		5,000,000	31,973
		<u>3,095,138</u>	<u>(6,181,192)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
		(451,903)	(397,939)
Finance lease payments			
		<u>(9,243,022)</u>	<u>9,703,913</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		11,062,090	1,358,177
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>1,819,068</b>	<b>11,062,090</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	419,078	54,598	<b>473,676</b>	432,517	<b>(41,159)</b>	Note 45
Other income	66,264	(14,134)	<b>52,130</b>	72,623	<b>20,493</b>	Note 45
Interest income	165,425	90,456	<b>255,881</b>	283,816	<b>27,935</b>	Note 45
<b>Total revenue from exchange transactions</b>	<b>650,767</b>	<b>130,920</b>	<b>781,687</b>	<b>788,956</b>	<b>7,269</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	64,875,444	4,443,709	<b>69,319,153</b>	40,588,152	<b>(28,731,001)</b>	Note 45
<b>Total revenue</b>	<b>65,526,211</b>	<b>4,574,629</b>	<b>70,100,840</b>	<b>41,377,108</b>	<b>(28,723,732)</b>	
<b>Expenditure</b>						
Employee related costs	(32,056,776)	2,384,544	<b>(29,672,232)</b>	(30,159,010)	<b>(486,778)</b>	Note 45
Remuneration of councillors	(3,113,647)	103,945	<b>(3,009,702)</b>	(3,318,054)	<b>(308,352)</b>	Note 45
Depreciation and amortisation	-	-	-	(3,648,189)	<b>(3,648,189)</b>	Note 45
Finance costs	(106,067)	19,600	<b>(86,467)</b>	(286,676)	<b>(200,209)</b>	Note 45
Debt impairment	(7,432)	-	<b>(7,432)</b>	(10,777,736)	<b>(10,770,304)</b>	Note 45
Repairs and maintenance	(1,926,855)	(14,000)	<b>(1,940,855)</b>	(1,271,312)	<b>669,543</b>	Note 45
General Expenses	(24,558,148)	(8,641,719)	<b>(33,199,867)</b>	(21,284,269)	<b>11,915,598</b>	Note 45
<b>Total expenditure</b>	<b>(61,768,925)</b>	<b>(6,147,630)</b>	<b>(67,916,555)</b>	<b>(70,745,246)</b>	<b>(2,828,691)</b>	
<b>Operating deficit</b>	<b>3,757,286</b>	<b>(1,573,001)</b>	<b>2,184,285</b>	<b>(29,368,138)</b>	<b>(31,552,423)</b>	
Loss on disposal of assets and liabilities	-	-	-	(21,966)	<b>(21,966)</b>	
<b>Deficit before taxation</b>	<b>3,757,286</b>	<b>(1,573,001)</b>	<b>2,184,285</b>	<b>(29,390,104)</b>	<b>(31,574,389)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>3,757,286</b>	<b>(1,573,001)</b>	<b>2,184,285</b>	<b>(29,390,104)</b>	<b>(31,574,389)</b>	



# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventory	-	-	-	123,671	<b>123,671</b>	Note 45
Receivables from exchange transactions	974,828	-	<b>974,828</b>	806,734	<b>(168,094)</b>	Note 45
VAT receivable	-	-	-	979,901	<b>979,901</b>	Note 45
Consumer debtors	887,515	1,738,167	<b>2,625,682</b>	-	<b>(2,625,682)</b>	Note 45
Cash and cash equivalents	12,000,000	13,645,915	<b>25,645,915</b>	1,819,068	<b>(23,826,847)</b>	Note 45
	<b>13,862,343</b>	<b>15,384,082</b>	<b>29,246,425</b>	<b>3,729,374</b>	<b>(25,517,051)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	29,681,686	(10,999,395)	<b>18,682,291</b>	20,082,803	<b>1,400,512</b>	Note 45
Intangible assets	-	-	-	739,015	<b>739,015</b>	Note 45
Investments in associates	28,400,328	-	<b>28,400,328</b>	-	<b>(28,400,328)</b>	Note 45
Long-term receivables	517,023	-	<b>517,023</b>	-	<b>(517,023)</b>	Note 45
Intangible asset	540,177	-	<b>540,177</b>	-	<b>(540,177)</b>	Note 45
	<b>59,139,214</b>	<b>(10,999,395)</b>	<b>48,139,819</b>	<b>20,821,818</b>	<b>(27,318,001)</b>	
<b>Total Assets</b>	<b>73,001,557</b>	<b>4,384,687</b>	<b>77,386,244</b>	<b>24,551,192</b>	<b>(52,835,052)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	12,500,000	1,722,661	<b>14,222,661</b>	6,291,487	<b>(7,931,174)</b>	Note 45
Unspent conditional grants and receipts	-	-	-	1,992,053	<b>1,992,053</b>	Note 45
Long service bonus	-	-	-	237,000	<b>237,000</b>	Note 45
Provisions	7,000	-	<b>7,000</b>	-	<b>(7,000)</b>	Note 45
	<b>12,507,000</b>	<b>1,722,661</b>	<b>14,229,661</b>	<b>8,520,540</b>	<b>(5,709,121)</b>	
<b>Non-Current Liabilities</b>						
Loans	362,859	1,000	<b>363,859</b>	-	<b>(363,859)</b>	Note 45
Long service bonus	-	-	-	879,000	<b>879,000</b>	Note 45
Provisions	602,890	(602,890)	-	-	-	
	<b>965,749</b>	<b>(601,890)</b>	<b>363,859</b>	<b>879,000</b>	<b>515,141</b>	
<b>Total Liabilities</b>	<b>13,472,749</b>	<b>1,120,771</b>	<b>14,593,520</b>	<b>9,399,540</b>	<b>(5,193,980)</b>	
<b>Net Assets</b>	<b>59,528,808</b>	<b>3,263,916</b>	<b>62,792,724</b>	<b>15,151,652</b>	<b>(47,641,072)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	29,343,387	-	<b>29,343,387</b>	15,151,652	<b>(14,191,735)</b>	Note 45

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	505,342	2,405,823	<b>2,911,165</b>	505,140	<b>(2,406,025)</b>	
Grants	65,875,444	4,443,709	<b>70,319,153</b>	43,258,340	<b>(27,060,813)</b>	
Interest income	157,993	97,888	<b>255,881</b>	283,816	<b>27,935</b>	
	<b>66,538,779</b>	<b>6,947,420</b>	<b>73,486,199</b>	<b>44,047,296</b>	<b>(29,438,903)</b>	
<b>Payments</b>						
Suppliers and employee costs	(61,348,247)	(7,377,867)	<b>(68,726,114)</b>	(55,646,877)	<b>13,079,237</b>	
Finance costs	(70,067)	-	<b>(70,067)</b>	(286,676)	<b>(216,609)</b>	
Transfers and grants	-	(4,689,318)	<b>(4,689,318)</b>	-	<b>4,689,318</b>	
	<b>(61,418,314)</b>	<b>(12,067,185)</b>	<b>(73,485,499)</b>	<b>(55,933,553)</b>	<b>17,551,946</b>	
<b>Net cash flows from operating activities</b>	<b>5,120,465</b>	<b>(5,119,765)</b>	<b>700</b>	<b>(11,886,257)</b>	<b>(11,886,957)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	-	-	-	(1,457,514)	<b>(1,457,514)</b>	
Proceeds from sale of property, plant and equipment	-	-	-	46,697	<b>46,697</b>	
Purchase of other intangible assets	-	-	-	(472,079)	<b>(472,079)</b>	
Proceeds from sale of financial assets	-	-	-	5,000,000	<b>5,000,000</b>	
Capital assets	(4,757,606)	(2,765,286)	<b>(7,522,892)</b>	-	<b>7,522,892</b>	
<b>Net cash flows from investing activities</b>	<b>(4,757,606)</b>	<b>(2,765,286)</b>	<b>(7,522,892)</b>	<b>3,117,104</b>	<b>10,639,996</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(362,859)	(1,000)	<b>(363,859)</b>	-	<b>363,859</b>	
Finance lease payments	-	-	-	(473,869)	<b>(473,869)</b>	
<b>Net cash flows from financing activities</b>	<b>(362,859)</b>	<b>(1,000)</b>	<b>(363,859)</b>	<b>(524,869)</b>	<b>(110,010)</b>	
Net increase/(decrease) in cash and cash equivalents	-	(7,886,051)	<b>(7,886,051)</b>	(9,294,022)	<b>(1,356,971)</b>	
Cash and cash equivalents at the beginning of the year	-	-	-	11,062,090	<b>11,062,090</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>(7,886,051)</b>	<b>(7,886,051)</b>	<b>1,768,068</b>	<b>9,705,119</b>	

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2013</b>											
<b>Financial Performance</b>											
Interest income	165,425	90,456	255,881	-	-	255,881	-	-	27,935	111 %	172
Government grants & subsidies	64,875,444	4,443,709	69,319,153	-	-	283,816	69,319,153	-	%(28,731,001)	59 %	63 %
Rental of facilities and equipment	485,342	40,464	525,806	-	-	40,588,152	-	-	(20,666)	96 %	104 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>65,526,211</b>	<b>4,574,629</b>	<b>70,100,840</b>	-	-	<b>70,100,840</b>	<b>41,377,108</b>	-	<b>(28,723,732)</b>	<b>59 %</b>	<b>63 %</b>
Employee related costs (486,778)	(32,056,776)	2,384,544	(29,672,232)	-	-	(29,672,232)	(30,159,010)	-	-	102 %	94 %
Remuneration of councillors	(3,113,647)	103,945	(3,009,702)	-	-	(3,009,702)	(3,318,054)	-	(308,352)	110 %	107 %
Debt impairment	(7,432)	-	(7,432)	-	-	(7,432)	(10,777,736)	-	(10,770,304)	145,018 %	145,018 %
Depreciation and amortisation	-	-	-	-	-	-	(3,648,189)	-	(3,648,189)	DIV/0 %	DIV/0 %
Finance costs	(106,067)	19,600	(86,467)	-	-	(86,467)	(286,676)	-	-	332 %	270 %
(200,209) Other expenditure	(26,485,003)	(8,655,719)	(35,140,722)	-	-	(35,140,722)	(22,577,547)	-	-	64 %	85 %
12,563,175											
<b>Total expenditure</b>	<b>(61,768,925)</b>	<b>(6,147,630)</b>	<b>(67,916,555)</b>	-	-	<b>(67,916,555)</b>	<b>(70,767,212)</b>	-	-	<b>(1,346)%</b>	<b>(782)%</b>
<b>(2,850,657) Surplus/(Deficit)</b>		<b>3,757,286</b>	<b>(1,573,001)</b>	<b>2,184,285</b>	<b>-</b>		<b>2,184,285</b>	<b>(29,390,104)</b>			
<b>(31,574,389)</b>											
<b>Surplus/(Deficit) for the year</b>	<b>3,757,286</b>	<b>(1,573,001)</b>	<b>2,184,285</b>	-	-	<b>2,184,285</b>	<b>(29,390,104)</b>	-	<b>(31,574,389)</b>	<b>(1,346)%</b>	<b>(782)%</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables, Loans and Receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### Long Service Bonus

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

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

##### Effective interest rate and deferred payment terms

# **Xhariep District Municipality**

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## **Accounting Policies**

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The entity used the prime interest rate adjusted for rates used by main suppliers or creditors to discount future cash flows.

### **1.2 Property, plant and equipment**

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

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

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

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

#### Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

#### Depreciation and impairment

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

Land is not depreciated and depreciation commence when the asset is ready for intended use.

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

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

Item	Estimated useful life
Buildings	30
Security System	5
Plant and machinery	5
Furniture and fittings	7 - 10
Motor vehicles	5 - 7

# **Xhariep District Municipality**

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Office equipment	3 - 7
Computer equipment	3 - 7

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### 1.2 Property, plant and equipment (continued)

Finance lease assets

- Office equipment The shorter of asset's useful life or the lease term
- Other assets The shorter of asset's useful life or the lease term

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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



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its useful life.

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### 1.3 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	3 - 5 years
Right to use land	The shorter of right to use land or useful life

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

### 1.4 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

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

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

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### 1.4 Financial instruments (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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- derivatives;
- combined instruments that are designated at fair value;

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### 1.4 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Investments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Long service bonus	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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### 1.4 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.



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### 1.5 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### 1.6 Inventory

Inventory are initially measured at cost except where inventory are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventory are measured at the lower of cost and net realisable value.

Inventory are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

The cost of inventory of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventory is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventory having a similar nature and use to the municipality.

When inventory are sold, the carrying amounts of those inventory are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventory to net realisable value or current replacement cost

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and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

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### 1.7 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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### 1.8 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

#### Onerous contracts

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on

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the ability of entities to repay their obligations.

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### 1.8 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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### **Interest**

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends is recognised when:



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### 1.9 Revenue from exchange transactions (continued)

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

#### Measurement

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

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Conditions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other Grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The comparative figures have been restated.

### 1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

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

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.16 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.17 Presentation of currency

These financial statements are presented in South African Rand.

All figures presented in the annual financial statements have been rounded to the nearest Rand.

### 1.18 Offsetting

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

### 1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.20 Going concern

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

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grants for the next three years.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer and Council members as key management per the definition of the financial reporting standard.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Accounting Policies

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### 1.23 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:  
tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:  
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 23: Revenue from Non-exchange Transactions</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 24: Presentation of Budget Information in the Financial Statements</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 103: Heritage Assets</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 21: Impairment of non-cash-generating assets</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 26: Impairment of cash-generating assets</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 104: Financial Instruments</li> </ul>	April 01, 2012	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 18: Segment Reporting</li> </ul>	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 25: Employee benefits</li> </ul>	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

- |  |                |   |
|--|----------------|---|
| • GRAP 105: Transfers of functions between entities under common control                   | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 106: Transfers of functions between entities not under common control               | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 107: Mergers  | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 20: Related parties   | April 01, 2013 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • IGRAP 11: Consolidation – Special purpose entities                                       | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures           | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements                 | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 7 (as revised 2010): Investments in Associates                                      | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures                                    | April 01, 2014 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 1 (as revised 2012): Presentation of Financial Statements                           | April 01, 2013 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors | April 01, 2013 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |
| • GRAP 7 (as revised 2012): Investments in Associates                                      | April 01, 2013 | It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements. |

# **Xhariep District Municipality**

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

financial statements.

## **Notes to the Financial Statements**

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# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 12 (as revised 2012): Inventories	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 13 (as revised 2012): Leases	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 16 (as revised 2012): Investment Property	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• IGRAP16: Intangible assets website costs	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	April 01, 2013	It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.



# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>3. Inventory</b>		
Inventory – Stationery	70,829	30,584
Inventory - Cleaning material	52,842	5,436
	<b>123,671</b>	<b>36,020</b>
Inventories recognised as an expense during the year	-	84,082
<b>Inventory pledged as security</b>		
No inventory was pledged as security for any financial liability.		
<b>4. Investments</b>		
<b>Held to maturity financial assets</b>		
Held-to-maturity investments maturing 4 to 12 months	-	5,000,000
Held to maturity investments comprises a fixed deposit held at Nedbank with account number 7662022528 with an interest rate of 5.91%.		
<b>Total Investments</b>		
At cost	-	5,000,000
<b>5. Receivables from exchange transactions</b>		
Trade debtors	612,074	938,016
Accrued Income	-	162,528
Prepaid Expense	44,976	38,237
Other debtors	149,679	194,558
	<b>806,729</b>	<b>1,333,339</b>
<b>Fair value of trade and other receivables</b>		
<b>Building and Facilities Rentals: Ageing</b>		
Current (0 – 30 days)	102,928	(496,106)
31 - 60 Days	33,219	94,859
61 - 90 Days	40,715	40,827
91 - 120 Days	5,003	92,300
121 - 150 Days	26,352	120,751
151 - 180 Days	2,384	93,220
+ 180 Days	1,174,819	995,205
Less: Provision for doubtful debts	(773,344)	(3,040)
	<b>612,076</b>	<b>938,016</b>
<b>Summary of Debtors by Customer Classification - National Provincial and Local Government</b>		
Current (0 – 30 day)	93,794	(849,442)
31 - 60 Days	31,261	93,470
61 - 90 Days	26,955	40,827
91 - 120 Days	1,833	92,300
121 - 150 Days	26,353	120,751
151 - 180 Days	2,384	93,220
+ 180 Days	1,171,891	995,210
Less: Provision for doubtful debts	(773,344)	(3,040)
	<b>581,127</b>	<b>583,296</b>

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 5. Receivables from exchange transactions (continued)

#### Summary of Debtors by Customer Classification - Industrial/Commercial

Current (0 – 30 days)	9,135	353,336
31 - 60 Days	2,173	1,384
61 - 90 Days	13,760	-
91 - 120 Days	3,169	-
+ 180 Days	2,927	-
	<b>31,164</b>	<b>354,720</b>

#### Trade and other receivables past due but not impaired

Trade and other receivables from exchange transactions which were past due where not impaired at year end due to the following.

Kopanong Local Municipality is indebted to Xhariep District Municipality to an amount equal to impaired debt less the subsequent receipts received	435,214	491,572
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#### Reconciliation of provision for impairment of trade and other receivables

Balance at the beginning of the year (as previously stated)	90,201	83,353
Contribution to / (from) provision	777,736	6,848
Bad debts written off against provision	-	-
	<b>867,937</b>	<b>90,201</b>

Debtors were disclosed at nominal value net of provision for doubtful debts.

### 6. Receivables from non-exchange transactions

Government grants and subsidies	-	10,000,000
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#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	-	-
Provision for impairment	10,000,000	-
	<b>10,000,000</b>	-

### 7. VAT receivable

VAT receivable	979,901	2,466,483
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,603	30
Bank balances	1,817,465	5,928,818
Short-term deposits	-	5,133,242
	<b>1,819,068</b>	<b>11,062,090</b>

### The municipality had the following bank accounts

Current Account (Primary Bank Account)	Bank statement balances		Cash book balances			
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012		
ABSA BANK - Brandwag Branch - Account Number - 4053628182	1,817,465	5,929,718	-	1,817,465	5,928,818	-
Standard Bank - Notice deposit - Account number - 24853260- 003	-	5,123,264	-	-	5,123,264	-
Standard Bank - Notice deposit - Account number - 24853260- 002	-	9,978	-	-	9,978	-
<b>Total</b>	<b>1,817,465</b>	<b>11,062,960</b>	-	<b>1,817,465</b>	<b>11,062,060</b>	-

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

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### 9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16,764,703	(3,562,483)	13,202,220	16,659,552	(3,079,107)	13,580,445
Plant and machinery	2,107,870	(521,479)	1,586,391	2,096,675	(101,969)	1,994,706
Furniture and fittings	1,970,132	(794,991)	1,175,141	1,870,055	(552,323)	1,317,732
Motor vehicles	1,143,971	(573,901)	570,070	1,306,556	(466,805)	839,751
Office equipment	1,433,224	(527,370)	905,854	582,404	(215,956)	366,448
Computer equipment	2,215,037	(1,717,078)	497,959	1,847,079	(977,112)	869,967
Finance lease assets	1,281,358	(1,281,358)	-	1,281,358	(928,338)	353,020
Security System	2,879,313	(734,145)	2,145,168	2,879,313	(158,913)	2,720,400
<b>Total</b>	<b>29,795,608</b>	<b>(9,712,805)</b>	<b>20,082,803</b>	<b>28,522,992</b>	<b>(6,480,523)</b>	<b>22,042,469</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	13,580,445	105,152	-	(483,377)	13,202,220
Plant and machinery	1,994,706	11,195	-	(419,510)	1,586,391
Furniture and fittings	1,317,732	101,696	(622)	(243,665)	1,175,141
Motor vehicles	839,751	-	(37,256)	(232,425)	570,070
Office equipment	366,448	852,793	(234)	(313,153)	905,854
Computer equipment	869,967	386,678	(8,585)	(750,101)	497,959
Finance lease assets	353,020	-	-	(353,020)	-
Security System	2,720,400	-	-	(575,232)	2,145,168
	<b>22,042,469</b>	<b>1,457,514</b>	<b>(46,697)</b>	<b>(3,370,483)</b>	<b>20,082,803</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	12,578,590	1,475,030	-	(473,175)	-	13,580,445
Plant and machinery	-	2,096,675	-	(101,969)	-	1,994,706
Furniture and fittings	923,214	614,351	-	(217,502)	(2,331)	1,317,732
Motor vehicles	1,081,066	-	-	(241,315)	-	839,751
Office equipment	462,083	52,325	-	(146,174)	(1,786)	366,448
Computer equipment	1,025,146	361,895	(18,606)	(484,447)	(14,021)	869,967
Finance lease asset	707,006	-	-	(353,986)	-	353,020
Security System	-	2,879,313	-	(158,913)	-	2,720,400
	<b>16,777,105</b>	<b>7,479,589</b>	<b>(18,606)</b>	<b>(2,177,481)</b>	<b>(18,138)</b>	<b>22,042,469</b>

#### Restrictions on title

The land on which the Administrative Building of Xhariep District Municipality is built is owned by Kopanong Local Municipality. As per the contract to use the land, certain events should take place before the land can be sold to Xhariep District Municipality.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,252,257	(513,242)	739,015	780,177	(325,153)	455,024

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	455,024	472,079	(188,088)	739,015

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	344,908	240,000	(129,884)	455,024

### 11. Finance lease obligation

#### Minimum lease payments due

- within one year	-	432,927
	-	432,927
less: future finance charges	-	(70,639)
<b>Present value of minimum lease payments</b>	-	<b>362,288</b>

#### Present value of minimum lease payments due

- within one year	-	362,288
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It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years.

The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets.

### 12. Payables from exchange transactions

Other creditors	490,344	103,037
Staff bonuses accrual	593,426	664,988
Staff leave accrual	2,585,508	1,659,720
Trade creditors	2,622,209	2,648,443
	<b>6,291,487</b>	<b>5,076,188</b>

The fair value of trade and other payables approximates their carrying amounts.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Systems Implementation Grant	227,944	116,476
THETHA Grant	36,080	36,080
Provincial Infrastructure Grant	204,193	204,193
Finance Management Grant	403,152	45,772
Motheo District Municipality Disestablishment Grant	1,120,684	1,120,684
	<b>1,992,053</b>	<b>1,523,205</b>

See note 17 for reconciliation of grants from other spheres of government. No grants were withheld due to unfulfilled conditions.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>14. Long service bonus</b>		
Non-current liabilities	879,000	673,000
Current liabilities	237,000	219,000
	<b>1,116,000</b>	<b>892,000</b>

The long service awards liability arises from XDM being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC . This agreement is effective 1 July 2010.

The long service awards plan is a defined benefit plan. At year end 72 (2012 - 73) employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R 237 000 (2012 - R 219 000) whereas the interest-cost for the next year is estimated to be R88 000 (2012 - R 75 000).

### The key assumptions utilised by management in determining the Long Service awards liability are listed below:

Discount Rate	7%	8%
Salary Increase	7%	7%
Net Discount rate	1%	1%
Mortality	SA85-90	SA85-90
Normal Retirement age	63	63

### Present value of unfunded obligations:

Present value of unfunded obligations at the beginning of the year	-	-
Fair value of plan assets Unrecognised	-	-
past service costs Unrecognised	-	-
actuarial gains / (losses) Present value of unfunded obligations <b>Net liability / (asset)</b>	1,116,000	892,000
	<b>1,116,000</b>	<b>892,000</b>

### Reconciliation of present value of fund obligations

Present value of fund obligations at the beginning of the year	892,000	648,000
Total expenses	-	-
Current service costs	219,000	154,000
Long service awards paid	(54,456)	(31,108)
Interest costs	75,000	62,000
Actuarial gains / (losses)	(15,544)	59,108
	<b>1,116,000</b>	<b>892,000</b>

The effect of a 1% increase in the salary cost inflation assumption will lead to a 9.8% increase in the accrued liability at 30 June 2013.

The effect of a 1% decrease in the salary cost inflation assumption will lead to a 8.5% decrease in the accrued liability at 30 June 2013.

### 15. Other income

Donations	-	1,466,136
Parking income	51,088	15,741
Tender income	21,535	22,398

# **Xhariep District Municipality**

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## **Notes to the Financial Statements**

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<b>72,623</b>	<b>1,504,275</b>
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# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>16. Interest earned</b>		
<b>Interest earned</b>		
Current bank account	3,720	7,079
Outstanding receivables	46,215	97,462
Money market and call accounts	230,555	623,655
Electricity deposit	3,326	3,196
	<b>283,816</b>	<b>731,392</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>17. Government grants and subsidies</b>		
Equitable share	22,762,000	20,600,000
Municipal Systems Implementation Grant	888,532	742,843
Provincial Infrastructure Grant (PIG)	-	45,857
EPWP	1,045,000	-
Financial Management Grant (FMG)	892,620	1,204,228
Motheo District Municipality Disestablishment Grant	-	35,683,093
COGTA and Treasury Financial Assistance Grant7	15,000,000	29,999,999
	<b>40,588,152</b>	<b>88,276,020</b>

### Municipal Systems Implementation Grant

Balance unspent at beginning of year	116,476	69,319
Current-year receipts	1,000,000	790,000
Conditions met - transferred to revenue	(888,532)	(742,843)
	<b>227,944</b>	<b>116,476</b>

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.

### THETHA Grant

Balance unspent at beginning of year	36,080	36,080
--------------------------------------	--------	--------

Grant will be used for capacity building of the municipality

### Provincial Infrastructure Grant (PIG)

Balance unspent at beginning of year	204,193	250,050
Conditions met - transferred to revenue	-	(45,857)
	<b>204,193</b>	<b>204,193</b>

The grant is used to subsidise municipal capital budget to eradicate backlogs in municipal infrastructure. The grant was specifically allocated for the completion of the sewerage treatment network which will later be transferred to Kopanong Local Municipality at no cost.

### EPWP

Current-year receipts	1,045,000	-
Conditions met - transferred to revenue	(1,045,000)	-
	-	-

The purpose of the grant is to expand job creation programs.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
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### 17. Government grants and subsidies (continued)

#### Financial Management Grant (FMG)

Balance unspent at beginning of year	45,772	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(892,620)	(1,204,228)
	<b>403,152</b>	<b>45,772</b>

The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)

#### Motheo District Municipality Disestablishment Grant

Balance unspent at beginning of year	1,120,684	-
Current-year receipts	-	36,803,777
Conditions met - transferred to revenue	-	(35,683,093)
	<b>1,120,684</b>	<b>1,120,684</b>

The purpose of the grant is to provide general assistance to local municipalities within the district as well as completing specific infrastructure projects on behalf of Naledi Local Municipality.

The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.

#### Equitable Share

Current-year receipts	22,762,000	21,143,250
Conditions met - transferred to revenue	(22,762,000)	(21,143,250)
	-	-

Equitable share has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.

#### COGTA and Treasury Financial Assistance Grant

Current-year receipts	15,000,000	30,000,000
Conditions met - transferred to revenue	(15,000,000)	(30,000,000)
	-	-

The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming financial years.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>18. Employee related costs</b>		
Bonuses under remuneration	1,404,567	1,175,246
Employee related costs - Salaries and Wages	20,649,961	17,052,901
Employee related costs - contributions for UIF, pensions and medical aids	4,686,895	3,710,754
Housing benefits and allowances	159,150	147,205
Travel, motor car, accommodation, subsistence and other allowances	3,258,437	2,499,524
	<b>30,159,010</b>	<b>24,585,630</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	640,621	422,612
Bonuses under remuneration	58,895	9,625
Travel, motor car, accomodation, subsistence and other allowances	164,548	47,391
Contributions to UIF, Medical and Pension Funds	119,217	80,485
	<b>983,281</b>	<b>560,113</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	715,087	635,348
Travel, motor car, accomodation, subsistence and other allowances	146,486	463,934
Bonuses under remuneration	68,683	76,512
Contributions to UIF, Medical and Pension Funds	136,225	164,071
	<b>1,066,481</b>	<b>1,339,865</b>
<b>Remuneration of the Executive Director: Corporate Services</b>		
Annual Remuneration	823,005	618,611
Bonuses under remuneration	24,394	51,879
Travel, motor car, accomodation, subsistence and other allowances	177,836	247,180
Contributions to UIF, Medical and Pension Funds	31,824	28,525
	<b>1,057,059</b>	<b>946,195</b>
<b>Remuneration of the Executive Director: Planning &amp; Development</b>		
Annual Remuneration	638,270	407,435
Bonuses under remuneration	27,838	13,478
Travel, motor car, accomodation, subsistence and other allowances	194,542	135,054
Contributions to UIF, Medical and Pension Funds	103,564	65,194
	<b>964,214</b>	<b>621,161</b>
<b>19. Remuneration of councillors</b>		
Executive Mayor	675,424	597,999
Mayoral Committee Members	1,146,946	1,003,293
Speaker	349,885	298,581
Councillors	1,145,799	995,560
	<b>3,318,054</b>	<b>2,895,433</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		
The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).		

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	3,107,081	1,823,495
Finance leased assets	353,020	353,987
Intangible assets	188,088	129,885
	<b>3,648,189</b>	<b>2,307,367</b>
<b>21. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	18,137
<b>22. Finance costs</b>		
Late payment of creditors	45,345	41,349
Finance lease liabilities	241,331	266,392
	<b>286,676</b>	<b>307,741</b>
<b>23. Debt impairment</b>		
Contribution to debt impairment	10,777,736	6,848
Bad debt write off	-	2,540
	<b>10,777,736</b>	<b>9,388</b>
<b>24. Repairs and maintenance</b>		
Furniture and equipment	347,377	321,659
Website	480,000	209,000
Computer equipment	38,147	36,285
Building	171,053	1,430,532
Motor vehicles	234,735	127,198
	<b>1,271,312</b>	<b>2,124,674</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>25. General expenses</b>		
Advertising	365,860	570,790
Auditors remuneration	1,730,112	1,215,847
Bank charges	89,014	48,822
Bursaries	36,318	121,488
Conferences and delegations	67,296	90,042
Consulting fees	2,842,751	3,502,707
Disaster management	374,384	226,986
Disaster management	-	391,337
Donations - Upgrade Cemetry	3,400	296,426
Donations - Upgrade Sewer Network	-	45,857
Entertainment	166,010	405,573
Finance Assistance Letsemeng - IT Support	1,266,376	-
Financial Assistance - Naledi Outfall Sewer	-	3,459,023
Financial Assistance Bulk Water Purchases	-	7,023,780
Financial Assistance Naledi - IT Support	1,137,000	3,093,504
Financial Assistance Naledi - Upgrading of streets	440,732	2,346,960
Financial assistance - Audit Fees	-	2,466,185
Fuel and oil	309,386	380,187
Legal expenses	101,436	75,766
Licence fees – computers	536,361	331,696
Licence fees – vehicles	(5,731)	930
Membership fees	459,911	217,469
Other Expenses	2,218,027	799,876
Training	361,873	1,794,359
Postage	2,335	2,213
Printing and stationery	376,082	483,527
Security costs	1,767,052	11,285
Staff welfare	-	5,200
Subscriptions	36,327	34,814
Telephone costs	671,100	977,963
Travel – local	4,239,138	4,918,139
Wages – EPWP	1,228,694	205,356
Water and electricity	463,025	268,725
	<b>21,284,269</b>	<b>35,812,832</b>
<b>26. Auditors' remuneration</b>		
Fees	1,730,112	1,215,847

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>27. Cash (used in) generated from operations</b>		
(Deficit) surplus <b>Adjustments</b>	(29,390,104)	22,839,121
<b>for:</b> Depreciation and amortisation	3,648,189	2,307,367
Loss on sale of assets	21,966	(21,682)
Impairment	-	18,137
Debt impairment	10,777,736	9,388
Movements in long service awards provisions	224,001	244,000
Donations received – Building	-	(1,466,136)
<b>Changes in working capital:</b>		
Inventory	(87,651)	(36,020)
Receivables from exchange transactions	526,613	1,939,464
Other receivables from non-exchange transactions	10,000,000	(9,980,917)
Consumer debtors	(10,777,736)	(9,388)
Payables from exchange transactions	1,215,299	(147,052)
VAT	1,486,582	(580,994)
Unspent conditional grants and receipts	468,848	1,167,756
	<b>(11,886,257)</b>	<b>16,283,044</b>
<b>28. Commitments</b>		
<b>Capital and current commitments</b>		
<b>Approved and contracted for</b>		
• Other assets	12,709	345,788
• Current expenditure	1,315,761	4,497,870
	<b>1,328,470</b>	<b>4,843,658</b>
<b>Approved but not yet contracted for</b>		
• Other assets	-	-
<b>The capital expenditure will be financed from:</b>		
Own resources	1,328,470	4,843,658
<b>Operating leases - as lessor</b>		
<b>Minimum lease payments due</b>		
- Payable within one year	74,925	71,011
- Payable within 1 - 5 years	-	-
- Payable later than 5 years	-	-
	<b>74,925</b>	<b>71,011</b>

Operating lease receipts represent rentals received by the municipality for the use of its administrative and other office space.

### Lease terms are as follows:

Lease 1 - Initial period of 36 months, renewable annually on the 1st July with a 15% escalation.

Lease 2 - Initial period of 6 months, escalation on the 1st December. Expiry date 15 November 2013.

A portion of the Municipality's buildings are held to generate rental income. At year end the rental contracts for the 2012 / 2013 (2011/2012) financial year had not yet been concluded.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 29. Contingencies

#### Contingent liabilities

#### Contingent liabilities 2013

##### Contingencies arising from pending litigation on wage curve agreement

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

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

Employees' job evaluations were not completed by the Municipality and employees were not paid according to the wage scales and rates in the wage curve agreement and did not receive the 9 months retrospective increases / backpay.

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

##### Matter description:

A service provider appointed to perform a VAT review for the period 1 July 2009 to 30 June 2011 has instituted a claim against the Municipality for breach of contract and non-payment of professional fees.

##### Financial Implication:

The probable loss is R93,254

#### Contingent liabilities 2012

##### Matter description:

A service provider appointed to perform a VAT review for the period 1 July 2009 to 30 June 2011 has instituted a claim against the Municipality for breach of contract and non-payment of professional fees.

##### Financial Implication:

The probable loss is R70,000

#### Contingent assets

##### 2013

The Municipality had no contingent assets at the reporting date.

##### 2012

The Municipality had no contingent assets at the reporting date.



# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

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### 30. Related parties

Relationships

Post employment benefit plan for employees of municipality and/or other related parties.

Refer to note 14 for the details.

Compensation to Councillors and other key management

Refer to note 18 and 19 for the details.

### Related party transactions

#### Purchases from related parties

Mamello Trading

-

50,000

A Councillor is member in Mamello Trading CC. All the transactions with Mamello Trading CC were at arm's length (no discounts or premiums) except for normal trade discounts were applicable.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

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### 31. Risk management

#### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

The municipality's interest rate risk arises from finance lease liabilities, credit cards & investments. These are issued at variable rates and expose the Municipality to cash flow interest rate risk. Financial instruments that are issued at fixed rates expose the municipality to fair value interest rate risk.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	2013	2012
ABSA Bank: Current Account	1,817,465	5,928,818
Receivables from exchange transactions	806,731	1,333,339
Receivables from non exchange transactions	-	10,000,000
Nedbank	-	5,000,000
Standard Bank	-	5,123,264
Standard Bank	-	9,978
Finance leases	-	362,288

#### Price risk

The municipality has no exposure to changes in price risk

### 32. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

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### 33. Prior period errors

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors Understatement of trade and other payables from exchange transactions.:

#### Accrued Income on Grant Income:

During the period under review the municipality noted that it had incorrectly applied the prescripts of GRAP 23 with respect to the recognition and accrual for Equitable Share Income during the previous financial year ended 30 June 2012. The comparative for 2011/12 have been restated. The effect of the restatement is summarised below:

#### Understatement of trade and other payables from exchange transactions.:

Payables from exchange transactions were understated in the previous year. The comparative statements for 2011/12 have been restated. The effect of the restatement is summarised below:

#### Overstatement of trade and other receivables from non exchange transactions.:

Receivables from non exchange transactions were overstated in the previous year. The comparative statements for 2011/12 have been restated. The effect of the restatement is summarised below:

#### Understatement of the cost price of computer equipment:

The cost price of a certain item of computer equipment was understated due to change in price on the quotation and invoice issued as part of the cost of the asset. The comparative statements for 2011/12 have been restated. The effect of the restatement is summarised below:

#### Overstatement of long service liability:

During the period under review the municipality noted that the long service liability was misstated due to the incorrect calculation of current service costs, interets and actuarial gains and / or lossess. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

#### **Statement of financial position**

Increase in trade and other payables from exchange transactions	-	(13,440)
Increase in vat receivable	-	1,098
Decrease in credit cards	-	(1,710)
Decrease in trade and other receivables non exchange transactions	-	(6,057,500)
Increase in property, plant and equipment	-	4,057
Decrease in opening accumulated surplus	-	5,202,361
Decrease in unspent grants	-	151,644
Decrease in grant income	-	205,355
Decrease in the long service provision	-	108,000

#### **Statement of Financial Performance**

Increase in government grants and subsidies	-	543,250
Increase in general expenditure	-	8,285
Decrease in Employment related costs	-	(151,400)

### 34. Unauthorised expenditure

Opening balance	5,483,481	6,538,442
Unauthorised expenditure current year	5,667,656	1,524,583
Approved by Council	-	(2,579,544)
	<b>11,151,137</b>	<b>5,483,481</b>

The unauthorised expenditure relates to unbudgeted capital expenditure incurred under the planning and development vote during the financial year.

5,667,656 1,524,583

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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Figures in Rand	2013	2012
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### 34. Unauthorised expenditure (continued)

Full report is to be given to Council for condonment at the next possible Council meeting.

### 35. Fruitless and wasteful expenditure

Opening balance	104,259	62,861
Fruitless and wasteful expenditure current year	29,001	41,398
	<b>133,260</b>	<b>104,259</b>

Interest and penalties late payment of suppliers R21 828 (2012 - R11,019).

No disciplinary proceedings have been instituted as this was an operational matter.

Interest and penalties late payment of suppliers	21,828	11,019
Penalty interest early redemption of investment	-	30,379
Interest paid on amount in excess of approved bank overdraft	7,173	-
	<b>29,001</b>	<b>41,398</b>

No disciplinary proceedings have been instituted as the instances were incurred as an operational matter.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 36. Irregular expenditure

Opening balance	12,817,074	13,200,291
Add: Irregular Expenditure - current year	4,957,023	10,465,869
Less: Amounts written off	-	(10,849,086)
	<b>17,774,097</b>	<b>12,817,074</b>

#### The breakdown of the above expenditure is as follows:

Tax clearance certificates not obtained as per SCM policy	485,213	1,101,262
Tender process not followed as required by SCM policy	2,600,511	5,718,079
Insufficient quotations obtained as required by SCM policy	1,871,299	3,646,528
	<b>4,957,023</b>	<b>10,465,869</b>

#### Details of irregular expenditure – current year

Tax clearance certificates not obtained as per SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	485,213
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	2,600,511
Insufficient quotations obtained as required by SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	1,871,299
		<b>4,957,023</b>

### 37. In-kind donations and assistance

No in-kind donations and assistance were received during the current financial year.

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>38. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	-	32,829
Current year subscription / fee	256,816	210,389
Amount paid - current year	(256,816)	(243,218)
	-	-
<b>Audit fees</b>		
Opening balance	3,639	369,333
Current year subscription / fee	1,732,015	1,382,292
Amount paid - current year	(1,730,112)	(1,378,653)
Amount paid - previous years	(3,639)	(369,333)
	<b>1,903</b>	<b>3,639</b>
<b>PAYE and UIF</b>		
Opening balance	-	332,880
Current year subscription / fee	5,345,054	5,056,025
Amount paid - current year	(5,345,054)	(5,056,025)
Amount paid - previous years	-	(332,880)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	9,373
Current year subscription / fee	2,000,125	1,986,131
Amount paid - current year	(2,000,125)	(1,986,131)
Amount paid - previous years	-	(9,373)
	-	-
<b>VAT</b>		
VAT receivable	979,901	2,466,483

VAT output payables and VAT input receivables are shown in note 6

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 38. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Non-compliance with MFMA

##### Municipal Finance Management Act Section 15

The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget.

##### Supply chain management regulations 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from at least three different prospective providers as required.

##### Preferential Procurement Policy Framework Act, 2000 2(a) and Supply chain management regulation 28(1)(a)

The preference point system was not applied in all procurement of goods and services above R30,000, as required..

##### Municipal Finance Management Act Section 32(2) and 32(4)

Fruitless and wasteful expenditure incurred was not recovered from liable persons as required.

Reports detailing the fruitless and wasteful expenditure incurred were not tabled to MEC, Auditor-General and Council.

##### Supply chain management regulations 43 and 44

Awards were made to service providers whose tax matters had not been declared by the South African Revenue Services to be in order as required.

Awards were made to service providers whose directors are persons in service of other state institutions in contravention of the requirements.

##### Municipal Finance Management Act Section 53(1)(c)

The Service Delivery and Budget Implementation Plan was not approved by the Mayor within 28 days after the approval of the budget.

##### Municipal Finance Management Act Section 62(1)(d)

The accounting officer failed to take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

##### Municipal Finance Management Act Section 63(2)(a)

An adequate management, accounting and information system which accounts for assets was not in place, as required.

##### Municipal Finance Management Act Section 116(2)(b)

The performance of all contractors were not monitored on a monthly basis

##### Municipal Finance Management Act Section 116(2)(c)

The contract performance measures and methods applied to measure contract performance was insufficient and did not ensure effective contract management as required.

##### Municipal Finance Management Act Section 122

The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements.

### 39. Actual operating expenditure versus budgeted operating expenditure

Refer to the Statement of Comparison of Budget and Actual Amounts for the comparison of actual operating expenditure versus budgeted expenditure.

### 40. Actual capital expenditure versus budgeted capital expenditure

Refer to the Statement of Comparison of Budget and Actual Amounts for the comparison of actual capital expenditure versus budgeted expenditure.

# Xhariep District Municipality

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Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 41. Going concern

#### 2013

During the compilation of the annual financial statements management has assessed the appropriateness of the going concern principle. Management have identified potential factors which may impact on the ability of XDM to continue as a going concern.

Xhariep District Municipality incurred a net loss of R29 396 196 during the year ended 30 June 2013 and, as of that date, the municipality's unspent conditional grants and a receipt of R1 992 053 exceeds the cash balance held by the municipality of R1 819 068. The net cash flow from operating activities is negative by an amount of R11 886 257 and the current liability of R8 520 540 exceed the current asset of R3 729 369.

#### **Financial Assistance from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements:**

Management has budgeted for Intergovernmental grants amounting to R59,971,000 for the 2013/2014 financial year. Included in this total is an amount of R30,000,000 being financial assistance which is to be received from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements. The Xhariep District Municipality has yet to receive a written confirmation from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements as to when the funding will be received.

#### 2012

During the compilation of the annual financial statements management has assessed the appropriateness of the going concern principle. Management have identified one potential factor which may impact on the ability of XDM to continue as a going concern.

#### **Financial Assistance from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements:**

Management has budgeted for Intergovernmental grants amounting to R56,722,767 for the 2012/2013 financial year. Included in this total is an amount of R30,000,000 being financial assistance which is to be received from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements. The Xhariep District Municipality has received a written confirmation from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements that the funding will be received during November 2012.

### 42. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below except for the other receivables from non-exchange transactions which are not a contractual instrument:

#### 2013

	Loans and receivables	Total
Receivables from exchange transactions	806,731	806,731
Receivables from non exchange transactions	-	-
Cash and cash equivalents	1,819,068	1,819,068
	<b>2,625,799</b>	<b>2,625,799</b>

#### 2012



# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 42. Financial assets by category (continued)

	Loans and receivables	Total
Other financial assets	5,000,000	5,000,000
Receivables from exchange transactions	1,333,339	1,333,339
Receivables from non exchange transactions	10,000,000	10,000,000
Cash and cash equivalents	11,062,090	11,062,090
	<b>27,395,429</b>	<b>27,395,429</b>

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 43. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2013

	Financial liabilities at amortised cost	Total
Finance lease obligation - current	-	-
Other financial liabilities	3,108,053	3,108,053
Payables from exchange transactions	6,291,487	6,291,487
	<b>9,399,540</b>	<b>9,399,540</b>

#### 2012

	Financial liabilities at amortised cost	Total
Finance lease obligation - current	362,288	362,288
Other financial liabilities	2,415,205	2,415,205
Payables from exchange transactions	5,076,188	5,076,188
	<b>7,853,681</b>	<b>7,853,681</b>

### 44. Retirement Benefit Information

#### Defined contribution plan

##### Defined contribution plan

Xhariep District Municipality and its employees contribute to various funds which provide benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income. No actuarial information was available for the funds listed below on the preparation of financial statements.

2,781,029 2,322,607

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Free State Municipal Pension Fund
- SAMWU National Provident Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund

# Xhariep District Municipality

(Registration number : DC 16)

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

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### 45. Budget differences

#### Material differences between budget and actual amounts

##### Interest income:

The municipality invested for longer than initially anticipated.

##### Other Income:

More tender documents than anticipated were sold during the year.

##### Government grants and subsidies:

The R10mil CoGTA receivable from the 11/12 allocation was not received and the 12/13 CoGTA allocation was reduced by 50% (from R30mil to R15mil)

##### Debt impairment:

The debt collection policy was not effectively implemented as the municipality had not established a legal department to assist with collections. As a result, many debtors defaulted.

##### Depreciation and amortisation:

The municipality erroneously did not budget for depreciation.

##### Finance costs:

The municipality significantly under budgeted for the bank charges. Additionally, municipality undertook an unexpected overdraft facility which led to unexpected finance charges.

##### Repairs and maintenance:

Due to significant amount of assets acquired in the 11/12 and 10/11 financial year, repairs and maintenance were expected to increase in the current financial year.

##### Other expenditure:

Less government grants than expected were received in the financial year, resulting in significant costs having to be trimmed down.

**XHARIEP DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS  
FOR THE YEAR ENDED 30 JUNE 2013**

**APPENDIX A**

<b>EXTERNAL LOANS</b>	<b>Loan number</b>	<b>Redeemable Date</b>	<b>Balance at 30 June 2011</b>	<b>Received during the period</b>	<b>Redeemed / written off during the period</b>	<b>Balance at 30 June 2012</b>	<b>Cost Price of Property, Plant &amp; Equipment</b>	<b>Asset Capitalised</b>	<b>Depreciation Period</b>	<b>Other Costs in accordance with MFMA</b>
			R	R	R	R	R			R
<b>LONG-TERM LOANS</b>										
None	N/A	N/A	-	-	-	-	-	-	N/A	-
<b>TOTAL EXTERNAL LOANS</b>			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>

Xhariep District Municipality had no external loans as at 30 June 2013 and 30 June 2012 respectively.

APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
<b>LAND AND BUILDINGS</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	16 659 552	105 152	-	-	16 764 704	(3 079 107)	(483 377)	-	-	(3 562 484)	-	13 202 220
	<b>16 659 552</b>	<b>105 152</b>	<b>-</b>	<b>-</b>	<b>16 764 704</b>	<b>(3 079 107)</b>	<b>(483 377)</b>	<b>-</b>	<b>-</b>	<b>(3 562 484)</b>	<b>-</b>	<b>13 202 220</b>
<b>OTHER ASSETS</b>												
Furniture and equipment	1 870 055	101 696	-	-	1 971 751	(552 323)	(243 590)	-	-	(795 913)	-	1 175 838
Computer Equipment	1 842 379	386 678	-	-	2 229 057	(976 469)	(754 630)	-	-	(1 731 099)	-	497 958
Motor vehicles	1 306 556	-	(24 535)	-	1 282 021	(466 805)	(241 315)	-	-	(708 120)	-	573 901
Office Equipment	582 404	852 793	-	-	1 435 197	(215 956)	(311 903)	-	-	(527 859)	-	907 338
Security System	2 879 313	-	-	-	2 879 313	(158 913)	(575 232)	-	-	(734 145)	-	2 145 168
Plant and machinery	2 096 675	11 195	-	-	2 107 870	(101 969)	(419 510)	-	-	(521 479)	-	1 586 391
	<b>10 577 382</b>	<b>1 352 362</b>	<b>(24 535)</b>	<b>-</b>	<b>11 905 209</b>	<b>(2 472 435)</b>	<b>(2 546 180)</b>	<b>-</b>	<b>-</b>	<b>(5 018 615)</b>	<b>-</b>	<b>6 886 594</b>
<b>WORK IN PROGRESS</b>												
Sewerage construction	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FINANCE LEASE ASSETS</b>												
Office Equipment	1 281 358	-	-	-	1 281 358	(928 338)	(353 020)	-	-	(1 281 358)	-	-
	<b>1 281 358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 281 358</b>	<b>(928 338)</b>	<b>(353 020)</b>	<b>-</b>	<b>-</b>	<b>(1 281 358)</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>28 518 292</b>	<b>1 457 514</b>	<b>(24 535)</b>	<b>-</b>	<b>29 951 271</b>	<b>(6 479 880)</b>	<b>(3 382 577)</b>	<b>-</b>	<b>-</b>	<b>(9 862 457)</b>	<b>-</b>	<b>20 088 814</b>

APPENDIX B (continued)

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
<b>LAND AND BUILDINGS</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	10 561 071	1 948 526	-	-	12 509 597	-	(455 614)	-	-	(455 614)	-	12 053 983
	<b>10 561 071</b>	<b>1 948 526</b>	<b>-</b>	<b>-</b>	<b>12 509 597</b>	<b>-</b>	<b>(455 614)</b>	<b>-</b>	<b>-</b>	<b>(455 614)</b>	<b>-</b>	<b>12 053 983</b>
<b>OTHER ASSETS</b>												
Furniture and equipment	477 761	190 388	-	-	668 149	-	(72 340)	(819 506)	-	(891 846)	-	(223 697)
Computer Equipment	733 670	571 140	-	-	1 304 810	-	(280 190)	-	-	(280 190)	-	1 024 620
Motor vehicles	357 788	1 670 528	-	-	2 028 316	-	(124 678)	-	-	(124 678)	-	1 903 638
Office Equipment	62 082	428 678	-	-	490 760	-	(41 857)	-	-	(41 857)	-	448 903
	<b>1 631 301</b>	<b>2 860 734</b>	<b>-</b>	<b>-</b>	<b>4 492 035</b>	<b>-</b>	<b>(519 065)</b>	<b>(819 506)</b>	<b>-</b>	<b>(1 338 571)</b>	<b>-</b>	<b>3 153 464</b>
<b>WORK IN PROGRESS</b>												
Sewerage construction	1 221 227	733 291	-	-	1 954 518	-	-	(1 954 518)	-	(1 954 518)	-	-
	<b>1 221 227</b>	<b>733 291</b>	<b>-</b>	<b>-</b>	<b>1 954 518</b>	<b>-</b>	<b>-</b>	<b>(1 954 518)</b>	<b>-</b>	<b>(1 954 518)</b>	<b>-</b>	<b>-</b>
<b>FINANCE LEASE ASSETS</b>												
Office Equipment	1 281 358	-	-	-	1 281 358	-	(477 893)	-	-	(477 893)	-	803 465
	<b>1 281 358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 281 358</b>	<b>-</b>	<b>(477 893)</b>	<b>-</b>	<b>-</b>	<b>(477 893)</b>	<b>-</b>	<b>803 465</b>
<b>TOTAL</b>	<b>14 694 957</b>	<b>5 542 551</b>	<b>-</b>	<b>-</b>	<b>20 237 508</b>	<b>-</b>	<b>(1 452 572)</b>	<b>(2 774 024)</b>	<b>-</b>	<b>(4 226 596)</b>	<b>-</b>	<b>16 010 912</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**APPENDIX C**

<b>2012 Actual Income R</b>	<b>2012 Actual Expenditure R</b>	<b>2012 Surplus/ (Deficit) R</b>		<b>2013 Actual Income R</b>	<b>2013 Actual Expenditure R</b>	<b>2013 Surplus/ (Deficit) R</b>
5 779 402	6 012 966	( 233 564)	Council General	5 197 106	6 096 060	( 898 954)
12 596 051	6 158 404	6 437 647	Municipal Manager	3 611 352	6 857 982	(3 246 630)
47 130 129	22 453 678	24 676 451	Budget and Treasury	8 877 343	10 194 133	(1 316 790)
17 971 839	19 261 986	(1 290 147)	Corporate Services	16 148 108	20 116 128	(3 968 020)
8 176 814	14 236 590	(6 059 776)	Planning and Development	8 288 214	16 102 919	(7 814 705)
<b>91 654 235</b>	<b>68 123 624</b>	<b>23 530 611</b>	<b>TOTAL</b>	<b>42 122 122</b>	<b>59 367 222</b>	<b>(17 245 100)</b>

XHARIEP DISTRICT MUNICIPALITY  
 ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)  
 FOR THE YEAR ENDED 30 JUNE 2013

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APPENDIX D

	Accrual Basis		Modified Cash Basis		
	Actual 2013	Reverse non-cash items	Actual Expenses 2013	Budget 2013	Variance
	R	R	R	R	R
<b>REVENUE</b>					
Rental income	432 517	-	432 517	473 676	41 159
Interest earned	446 344	-	446 344	255 881	( 190 463)
Government grants and subsidies	41 181 836	-	41 181 836	69 319 153	28 137 317
Fees interest	72 623	-	72 623	52 130	( 20 493)
Donations	-	-	-	-	-
Other income	24 188	-	24 188	-	( 24 188)
<b>TOTAL REVENUE</b>	<b>42 157 508</b>	<b>-</b>	<b>42 157 508</b>	<b>70 100 840</b>	<b>27 943 332</b>
<b>EXPENDITURE BY NATURE</b>					
Employee related costs	27 981 713	-	27 981 713	29 672 232	1 690 519
Remuneration of Councillors	3 318 055	-	3 318 055	3 009 702	( 308 353)
Bad debts and impairment of debtors provision	-	-	-	7 432	7 432
Depreciation and amortisation expense	3 679 958	-	3 679 958	-	(3 679 958)
Loss on disposal of assets	11 199	-	11 199	-	( 11 199)
Finance costs	286 676	-	286 676	86 467	( 200 209)
General expenses	19 640 411	-	19 640 411	28 275 684	8 635 273
<b>Total operating expenditure by nature</b>	<b>54 918 012</b>	<b>-</b>	<b>54 918 012</b>	<b>61 051 517</b>	<b>6 133 505</b>



DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2013

APPENDIX E

GRANT DESCRIPTION	Balance as at 1 July 2012	Other Adjustments	Current year receipts	Operating expenditure during the year (Transferred to revenue)	Capital expenditure during the year (Transferred to revenue)	Balance as at 30 June 2013
	R	R	R	R	R	R
<b>Provincial Government Grants</b>						
COGTA Financial Assistance Grant	-	-	15 000 000	(15 000 000)	-	-
Provincial Treasury Grant	-	-	-	-	-	-
Provincial Infrastructure Grant	204 193	-	-	-	-	204 193
<b>National Government Grants</b>						
Equitable share	-	-	22 762 000	(22 762 000)	-	-
Financial Management Grant	45 772	-	1 250 000	( 892 620)	-	403 152
Expanded Public Works Programme Incentive Grant for Municipalities	151 644	-	1 045 000	(1 241 684)	-	( 45 040)
MSIG Grant	116 476	-	1 000 000	( 888 532)	-	227 944
<b>Other Grants and Subsidies</b>						
THETHA Grant	36 080	-	-	-	-	36 080
Motheo DM Disestablishment Grant	1 120 684	-	-	-	-	1 120 684
<b>TOTAL</b>	<b>1 674 849</b>	<b>-</b>	<b>41 057 000</b>	<b>(40 784 836)</b>	<b>-</b>	<b>1 947 013</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**AUDIT ACTION PLAN:**  
**AUDIT REPORT 30 JUNE 2013**

XHARIEP DISTRICT MUNICIPALITY – MANAGEMENT ACTION PLAN – AUDIT REPORT 30 JUNE 2013

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
<b>Annexure A: Matters affecting the audit opinion</b>													
38 - 39	No review of useful lives was made on all assets at reporting date	Management should design and implement the procedure to ensure that all assets are assessed for its useful lives on annual basis.	✓			✓		✓			Management shall ensure the GRAP standard and Asset Management Policy is implemented and Useful lives of assets is reviewed annually.	Manager: Assets	30 June 2014
40 - 41	Misstatement with regard to Commitments	Management must monitor that control are in place to adequately keep accurate track of all commitments by the municipality.	✓			✓		✓			The contract register shall be monitored and commitments updated for accuracy and completeness, and the relevant supporting documentation kept up to date.	Manager SCM	28 Feb 2014
42	Non-Compliance with Section 12(5) of Division of Revenue Act	The Municipal Manager should ensure that the grant's performance evaluation reports are submitted to the national transferring office on time as required by Section 12(6) of Division of Revenue Act.			✓	✓		✓			The FMG report will be submitted to NT before the deadline every month.	Manager: Compliance	28 Feb 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
43	Non-Compliance with MFMA 15, 32 (2), 62(1)(d) & 71	The Municipal Manager should design, implement and enforce formal internal controls procedure over MFMA compliance requirements.			✓	✓		✓			Internal Controls have been developed in the form of:  Unauthorized- memo (requisition form) Irregular- SCM Policy Fruitless- MFMA 65  They will be implemented from February 2014.	CFO	31 Jan 2014
34 - 35	Expenditure: Invoices paid after 30 days	The CFO should ensure that the municipality complies with section 65 of MFMA, by making sure that payments are paid within 30 days of receiving the invoice/statement.			✓	✓		✓			Going forward management will ensure that payments are made within 30 days from the date of receipt of invoice. Efforts will be made that even disputed invoices are paid in line with the MFMA.	Manager: SCM  Manager: Expenditure and Payroll	28 Feb 2014
<p><b>Annexure B: Other important matters</b></p> <p><b>Non-Compliance with laws and regulations</b></p>													

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
128	Non-Compliance with Municipal Budget and Reporting Regulation Section 18(1)& 30 (1)	The municipal manager should ensure compliance with Municipal Budget and Reporting Regulation.			✓	✓			✓		<p>The Budget and monthly budget statements will be submitted to the IT Unit for placement on the municipality's website within the required timeframes.</p> <p>The budgets shall be placed on the municipality's website (made public) within 10 days after approval by council.</p> <p>The budget monthly statements shall be placed on the municipal website.</p>	<p>Manager: Compliance</p> <p>IT Manager</p>	Within 10 days after annual budget approval

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
129	Non-Compliance with the provision of MFMA 32 (4)	The Accounting Officer should ensure adherence with MFMA.			✓	✓			✓		The CFO will develop a mechanism to ensure compliance with the provisions of section 32 of the MFMA. The mechanism will include monitoring instruments.	CFO	28 Feb 2014
130	Non-Compliance with Municipal Budget and Reporting Regulation Section 26(1)	The Municipal Manager should ensure compliance with Municipal Budget and Reporting Regulation.			✓	✓			✓		The budgets shall be placed on the municipality's website (made public) within 10 days after approval by council.	IT Manager	Within 10 days after adjustment budget approval
131	Non-Compliance with Municipal Investment Regulation9(1)	The Municipal Manager should ensure compliance with Municipal Investment Regulation			✓	✓			✓		Submissions to the Mayor shall be made monthly.	Manager: Compliance/ CFO/ MM	Ongoing (monthly)
<b>Plant, Property and Equipment</b>													

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
48 -49	Discrepancies identified during physical verification and in the asset register	<p>Management should ensure a continual monitoring of the assets register to ensure that the following is performed on the asset register</p> <ul style="list-style-type: none"> <li>• All barcodes allocated to the assets is captured on the asset register</li> <li>• Any movements or lost assets are updated on the asset register</li> <li>• Assessment for impairment is performed on all assets</li> </ul>	✓			✓			✓		<p>The asset register shall be updated monthly including movements of lost assets.</p> <p>Impairment assessment shall be performed on all assets</p> <p>The barcodes allocated to assets will be captured on the assets register.</p>	Manager: Assets	28 Feb 2014
50 - 51	Discrepancies identified in the PPE	Management should consistently monitor and review the work performed by consultants to ensure that the carrying amount of assets on the asset register agrees to the general ledger, trial balance & the financial statement.	✓			✓			✓		The AFS will be reviewed through the CFO's office for accuracy and completeness.	CFO	28 Feb 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
52 - 53	Inadequacy disclosure in terms of Presentation of Budget information in the Financial Statements	<p>The financial statements and other information have to be reviewed for completeness and accuracy prior to submission for audit through the office of the Chief Financial Officer.</p> <p>Management has to ensure that they are process in place to monitor any weakness in the internal controls of the municipality</p>	✓			✓			✓		The AFS will be reviewed through the office of the CFO for completeness and accuracy.	CFO	28 Feb 2014
54 - 55	Incorrect recognition of the Equitable Share Receivable (COMAF 6)	Management should ensure that the review is performed to ensure that the requirements of GRAP 23 are correctly applied.	✓			✓			✓		The AFS will be reviewed through the CFO office for correct application of GRAP	CFO	28 Feb 2014
56 - 58	Valuation Input data used does not agree to payroll data and concerns noted on the actuarial report. (COMAF	The CFO must review the data given to the external valutors to ensure that is complete and accurate.	✓			✓			✓		The AFS will be reviewed through the office of the CFO for completeness and accuracy.	CFO	15 July 2014



Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
59 - 60	Impairment of Trade Receivables and other Receivables	The CFO should ensure that an assessment is performed with regard to the possible impairment of all receivables using the knowledge of the business and the requirement of GRAP 104.	✓			✓			✓		Debtors shall be individually assessed for impairment.	Manager: Assets	28 Feb 2014
<b>Expenditure and Payables</b>													
61	Incorrect classification of expenditure	The CFO should ensure that all transactions is reviewed before been recorded in the general ledger to ensure that they are correctly classified, complete and accurate.	✓			✓			✓		Transactions will be reviewed monthly prior being updated on the general ledger	Manager: Expenditure and Payroll	28 Feb 2014 (Ongoing)
62	Understatement of Leave Accrual	The CFO should ensure that work performed by the consultants is reviewed to ensure accuracy, compliance and completeness of the financial statement.	✓			✓			✓		The AFS will be reviewed by the CFO for correct application of GRAP	CFO	28 Feb 2014
63 - 64	Misstatements noted on the Payables from exchange transactions	The CFO should ensure that work performed by the consultants is reviewed to ensure accuracy, compliance and completeness of the financial statement.	✓			✓			✓		The AFS will be reviewed by the CFO for correct application of GRAP	CFO	28 Feb 2014

XHARIEP DISTRICT MUNICIPALITY – MANAGEMENT ACTION PLAN – AUDIT REPORT 30 JUNE 2013

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
65	Overstatement of the bonus accrual	The CFO should ensure that transactions are accounted for correctly.	✓			✓			✓		It shall be ensured that bonus accrual transactions are accurate.	Manager: Reporting	28 Feb 2014
<b>Revenue</b>													
66	Deficiencies in Internal controls relating to rental of facilities and equipment	Management should ensure that supervisory reviews and approvals are conducted and they are evidence of such reviews. Management must also ensure that they are process in place to monitor the effective implementation of controls.				✓			✓		Monthly reviews are performed by management from the new financial year 13/14.	Manager: Reporting	1 July 2013
67	No approved price list for the tender fees	Management should ensure that the fee charged for the tender documents is included in the municipalities approved tariff policy.				✓			✓		13/14 Approved tariff policy is inclusive of tender fees. Evidence of the approved tariffs policy and price list will be submitted to the Internal Audit Unit for review.	Manager: Reporting	31 Jan 2014

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Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
68 - 69	Grants Amount per the General Ledger and Trial Balance differs to the amount in the Annual Financial Statement	The management must ensure that the amounts in the financial statement agree to the trial balance and the general ledger.	✓			✓			✓		Management will ensure that the amounts in the financial statement agree to the trial balance and the general ledger.	Manager: Reporting	28 Feb 2014
70 - 71	Grant Received from the Equitable Share per the Financial Statement differs to the Amount disclosed in the 2012 Division of Revenue Act	Management should ensure that the amount disclosed is supported by accurate and verifiable records.	✓			✓			✓		Management shall ensure that the amount disclosed is supported by accurate and verifiable records.	Manager: Reporting	28 Feb 2014
72	Deficiencies noted in Revenue (Interest income)	The CFO should ensure that interest calculations are reviewed to ensure accuracy, classification, cut off and completeness before been disclosed in the financial statements.	✓			✓			✓		Interest calculations shall be reviewed.	Manager: Revenue	28 Feb 2014
<b>Employee Costs</b>													
73	Disclosure note 19 relating to employee related costs does not agree to supporting schedule	The CFO should ensure that accurate financial reports are prepared that should be supported and evidenced by reliable information	✓			✓			✓		The AFS will be reviewed by the CFO for correct application of GRAP	CFO	28 Feb 2014

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Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
74 - 75	Deficiencies in disclosure note 18 relating to employee related costs	Management agrees with the finding as raised. Attached herewith is the amended note in the financial statements.	✓			✓			✓		The AFS will be reviewed by the CFO for correct application of GRAP	CFO	28 Feb 2014
76	Control deficiency due to instability in Vacancies of the Municipality	The Director of Corporate Services should ensure that effective HR management is implemented to ensure that adequate and sufficiently skilled resources are in place.	✓			✓			✓		All funded posts will be filled	Acting Director: Corporate Services	31 Mar 2014
77 - 78	Differences between the annual financial statement and the 12 months payroll	The CFO should ensure that formal controls are implemented over daily and monthly processing and reconciling of information.	✓			✓			✓		The AFS will be reviewed by the CFO to ensure accuracy. Monthly reconciliations will also be reviewed.	CFO	28 February 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
79 - 80	Variances noted on travel allowance	The Municipal Manager should ensure that the municipality complies with the Human resource management policy and that the travel allowances are correctly calculated in terms of the policy.	✓			✓			✓		Review of the HR Policy to address the travelling allowance matter  Reviewed Policy will be tabled to Council for adoption  Presentation of the approved policy and full implementation of the HR Policy	Acting Director: Corporate Services	31 Jan 2014  31 Mar 2014  31 Mar 2014
81 - 83	Variances noted in recalculation of skills development levy	The CFO and Manager Expenditure and Payroll should ensure that formal controls are implemented over daily and monthly processing and reconciling of information.	✓			✓			✓		The SDL calculation is integrated in the VIP system, therefore the cause of variances will be established from Softline VIP	Manager: Expenditure and Payroll	28 February 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
84	Minimum competencies levels not submitted to treasury	The Municipal Manager should ensure that the municipality complies with the Regulations on Minimum Competency levels.				✓			✓		Submission of the report to National Treasury and Provincial Treasury on the municipality's compliance to the required minimum competency levels.  The 1 <sup>st</sup> report will be submitted to the above-mentioned departments before 30 January 2014 & the 2 <sup>nd</sup> report before 30 July 2014	Acting Director: Corporate Services	24 Jan 2014  25 July 2014
84	Deficiencies noted on the use of consultants	The Municipal Manager should ensure that policies and procedures are established to monitor the extent of the use of the consultants.				✓			✓		Policies and procedures that will be used to monitor the extent of use of consultants within the municipality will be established	Acting Director: Corporate Services	28 Feb 2014
86	No formal needs assessment on the following consultants used	The SCM Manager must ensure that the municipality complies with the applicable regulations				✓			✓		Need assessment will be done and documented.	Manager: SCM	Quarterly Ongoing
<b>Disclosure</b>													

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
87 - 86	Deficiencies noted on Disclosure notes	<p>The financial statements and other information have to be reviewed for completeness and accuracy prior to submission for audit through the office of the Chief Financial Officer.</p> <p>Management has to ensure that they are process in place to monitor any weakness in the internal controls of the municipality.</p>	✓			✓			✓		The Management will develop processes to monitor any weaknesses in the internal controls. AFS will be reviewed by the CFO for completeness and accuracy.	CFO	28 Feb 2014
<b>Trade and Other Receivables</b>													
89	Overstatement of Trade and other receivables	<p>The financial statements and other information have to be reviewed for completeness and accuracy prior to submission for audit through the office of the Chief Financial Officer.</p> <p>Management has to ensure that they are process in place to monitor any weakness in the internal controls of the municipality.</p>	✓			✓			✓		The Management will develop processes to monitor any weaknesses in the internal controls. The AFS will be reviewed by the CFO for completeness and accuracy.	CFO	28 Feb 2014

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Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
90 - 91	Deficiencies in Trade and Other Receivables	<p>The financial statements and other information have to be reviewed for completeness and accuracy prior to submission for audit through the office of the Chief Financial Officer.</p> <p>Management has to ensure that they are process in place to monitor any weakness in the internal controls of the municipality.</p>	✓			✓			✓		The AFS will be reviewed by the CFO for completeness and accuracy.	CFO	28 Feb 2014
92 - 93	Concerns in regards to impairment of Trade Receivable and Other receivable	The CFO should ensure that a review is performed on the financial statements to obtain assurance that it is prepared in accordance with prescribed accounting framework.	✓			✓			✓		The AFS will be reviewed by the CFO for completeness and accuracy.	CFO	28 Feb 2014
<b>Value Added Tax</b>													



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Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
94 - 95	Incorrect calculation of the VAT amount	<p>Management should ensure that responsible correctly applies the principles as per the VAT act.</p> <p>There should be a constant review in order to obtain satisfaction as to the accuracy of the VAT amount to be disclosed on the financial statements.</p>	✓			✓			✓		The incorrect calculation was as a result of refund not yet received, therefore it will be ensured that VAT is properly accounted for	Manager: Expenditure and Payroll & CFO	28 February 2014
<b>Inventory</b>													
96 - 97	Treatment of inventory not in accordance with the financial reporting framework and inconsistency with the municipality accounting policy	Management must ensure that the treatment of inventory is accordance with the requirements of GRAP 12 and the municipality accounting policy.				✓			✓		Inventory shall be debited upon receipt, and expensed upon distribution.	Manager: Assets	28 February 2014
<b>Annual Financial Statements</b>													

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Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
98 - 102	Matters noted from the overall review of the submitted annual financial statements and understanding of the municipality accounting systems.	The financial statements and other information have to be reviewed for completeness and accuracy prior to submission for audit through the office of the Chief Financial Officer.  Management has to ensure that they are process in place to monitor any weakness in the internal controls of the municipality	✓			✓			✓		The AFS will be reviewed by the CFO for completeness and accuracy.	CFO	28 Feb 2014
<b>Procurement and Contract Management</b>													
103 - 106	Internal Control deficiencies in Supply Chain Management	Management should ensure that SCM regulations are adhered to when the SCM policy is compiled and that this policy is updated on a regular basis.				✓			✓		A Procedure manual will be developed.	Manager: SCM	28 Feb 2014
107	No bid specifications committee in place	Management should ensure that SCM regulations are adhered to and that any deviation from SCM regulation due to the specific conditions of the municipality is an allowed alternative e in terms of the regulation.				✓			✓		A Procedure manual will be developed, approved and implemented.	Manager: SCM	31 Jan 2014

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
108	No evidence that entries in the register and bid results not published on the website of the municipality	Municipal manager should ensure that entries in the register and bid results are published on the website of the municipality and SCM regulations are adhered to.				✓			✓		A Procedure manual will be developed, approved and implemented.	Manager: SCM	31 Jan 2014
109	No evidence of advertisement of request for quotation on the website	Municipal manager should ensure that quotations are advertised on the municipal website and all SCM regulations are adhered to.				✓			✓		A Procedure manual will be developed, approved and implemented.	Manager: SCM	31 Jan 2014
<b>Audit of Performance Objectives</b>													

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
110	Performance information: No standard operating procedures	<p>The Accounting officer should design and implement standard procedural manuals to guide performance measurement and evaluation.</p> <p>The Manual must also address the following:-</p> <ul style="list-style-type: none"> <li>• Processes for identifying, collecting, collating, verifying and storing information</li> <li>• Use of information in managing for results</li> <li>• Publication of performance information”</li> </ul> <p>It is also recommended that the manual includes technical indicator description that documents the following:-</p> <ul style="list-style-type: none"> <li>• Indicator title</li> <li>• Short definition</li> <li>• Purpose or importance</li> <li>• Source or collection data</li> <li>• Method of calculation</li> <li>• Data limitations</li> <li>• Type of indicator and etc.</li> </ul>		✓		✓			✓		A Procedure Manual will be developed and submitted to all Departments containing all the procedures listed by the AG at the beginning of each financial year.	PMS Manager	31 Mar 2013

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
111 - 112	Inconsistency between SDBIP, IDP and Annual report	Accounting Officer needs to ensure that there are procedures in place to verify accuracy and completeness of SDBIP, IDP and Annual report.		✓		✓			✓		<p>All reported performance information will be reviewed and audited internally to ensure reliability and accuracy.</p> <p>Targets will be compared between the Original and Revised SDBIP.</p> <p>The Annual Report will be submitted to Internal audit to verify accuracy of the consolidated information before the Draft Annual Report is submitted to AG on the 31<sup>st</sup> of August.</p>	PMS Manager & Manager: Internal Audit	<p>Quarterly</p> <p>Mid-yearly (after adjustments budget and/or SDBIP review)</p> <p>15 Aug 2014</p>
113 - 114	Objectives in the IDP and not budgeted for in the 2012/2013 financial year	Management must ensure that each objective has been allocated a budgeted amount for the period.		✓		✓			✓		<p>All objectives in the IDP shall be allocated a budget amount, where no budget funding is not needed, it shall be indicated as such</p>	IDP Manager	Yearly

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			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
115	The Municipality's Service Delivery and Budget Implementation Plan not approved by the Mayor within 28 days after the approval of the budget	The Municipal Manager must ensure that they comply with all the relevant act/regulations relating to performance information (IDP, SDBIP and the Annual Report).		✓		✓			✓		Management will ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget	Manager: Budget & compliance & CFO	Yearly after the approval of the municipality's budget and adjustments budget
116	Corrective action not provided on annual targets not achieved	Management should ensure that the corrective measures are stated in the annual report, where targets were not achieved.		✓		✓			✓		Corrective measures for performance reported as not achieved will be provided going forward. HOD's will review the information before submission to PMS and AG for audit.	All Managers / HOD's and PMS Manager	Quarterly

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
117	Draft annual report not reviewed by internal audit	Accounting officer must ensure that the draft report is prepared on time and submitted to internal audit for audit before it can be provided to external auditors for audit purpose thereby ensuring compliance with Section 165 of the MFMA.		✓		✓			✓		The Draft Annual Report will be submitted to Internal Audit for review prior submission to the AG on the 31 <sup>st</sup> of August.  The Draft Annual Report will be reviewed yearly to ensure accuracy of the reported information before it is submitted to the AG.	PMS Manager  Manager: Internal Audit	15 Aug2014  Aug 2014
118 - 119	Predetermined objectives: Indicator not specific	Management must review indicators and targets thoroughly to ensure they are specific and verifiable		✓		✓			✓		The SMART principle will be applied when setting performance indicators going forward	All Managers and HOD's	Mid-yearly
<b>Information Technology Governance</b>													
120	Service level agreements are not monitored by IT management	All service level agreements should be allocated to specific staff members who should assume responsibility for the monitoring the performance of the service providers. These staff members should report monthly to management.				✓			✓		Service Level Agreements will be monitored weekly and reported on. A consolidated report will be presented to the management on a monthly basis.	IT Management	On going

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
121	No Formally Approved IT Security Policy	In the absence of a local government-wide IT security framework, assistance should be sought from district municipalities for the development of IT security policies.				✓			✓		There is already a clause in IT Policy Document that is addressing security matters.  This policy will be reviewed to ensure that it covers all security aspects.	IT Management	30 Apr 2014
122	No formally documented and approved process to manage the process of granting users access to users on all financial systems.	IT management should ensure that appropriately skilled IT staff is employed and where necessary, appropriate training be sought to up skill existing staff with assistance from district municipalities.				✓			✓		The IT Unit has established a process of granting user's access to all other IT Systems. This process will be made available to the Budget and Treasury Office for implementation in their departments as it is their responsibility to administer the Finance System.	BTO Management	30 Jan 2014



Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
123	No process is in place for independent reviews of the activities of the users of the financial systems.	IT management should develop and implement an IT strategic plan to govern IT goals and activities and ensure that key processes are established to ensure that system controller activities are periodically reviewed.				✓			✓		The IT Unit is currently in a process of developing an IT Business Process Document that will also address issues of activities review on IT Systems in general. This will be made available to the Budget and Treasury Office for implementation in their departments as it is their responsibility to administer the Finance System.	BTO Management	30 Apr 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
124	No process are in place to ensure that users' access and privileges on all financial systems would periodically be reviewed to confirm that such access and privileges are still commensurate with their job responsibilities.	Management should ensure that a user account management policy and procedures are developed, documented and implemented.				✓			✓		Management shall ensure that a user account management policy and procedures are developed, documented and implemented.	Administrators (VIP & PASTEL)	28 Feb 2014

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
125	No formally documented and approved processes are in place to manage updates made to all financial systems.	<p>Application change control standards and procedures should be developed and should include key elements such as ensuring that updates are approved and tested prior to implementation.</p> <p>Management should approve the change control standards and procedures document and compliance with the procedures and standards should be monitored regularly.</p>				✓			✓		In the IT Policy there is a clause that covers the Change Management Process. The IT Unit is currently in a process of developing an IT Business Process Document that will illustrate how the process of change management will be implemented. This will be made available to the Budget and Treasury Office for implementation in their department as it is their responsibility to administer the Finance System.	BTO Management	30April 2014

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
126	No change request documentation is completed, when an upgrade is made to a financial system.	<p>Change management policies and procedures should be developed and workshopped.</p> <p>Appropriately skilled individuals should be employed.</p> <p>When the services of contractors are used, it should be ensured that skills are transferred to the municipality's IT staff to prevent the contractors from operating in the live environment.</p>				✓			✓		There is a Change Management Policy incorporated in the IT Policy Document. Change Management Process is currently being developed in the IT Business Process Document and as soon as the document is completed and approved these processes will be made available to the Budget and Treasury Office for implemented	BTO Management	30 Apr 2014

Management Letter Page no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
127	A backup and retention strategy has not been implemented	A back-up and retention strategy should be developed. After being approved this process should be communicated to staff to ensure that all parties are aware of the requirements as well as the procedures to be performed in the event of a disaster.				✓			✓		The municipality has a Disaster Recovery Plan in place. In addition to this the institution will produce a document that will cover as a backup strategy. As it is, the municipality has improved in the backup mechanism. There is an analysis that is currently underway to find the most economical and efficient method of backing up.	IT Management	30 Apr 2014
<b>Annexure C: Administrative Matters</b>													
<b>Other</b>													
132	Control Deficiency in Cell phones	Accounting officer should ensure that Cell phone policy and procedures are in place and implemented effectively to avoid paying cell phone expenses for someone no longer in the service of the municipality				✓			✓		Management shall ensure that Cell phone policy and procedures are developed	Manager: Expenditure and Payroll, CFO & Acting Director: Corporate Services	28 Feb 2014

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			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
133 - 134	Evaluation of Audit Committee and Internal Audit not performed	<p><b>Audit Committee</b>                      Audit Committee needs to assess and review the Internal Audit activity, which should include the following but not limited to:</p> <ul style="list-style-type: none"> <li>• Competency</li> <li>• Independence</li> <li>• Relevance of work of internal audit</li> </ul> <p>King III Guidance -                      The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the CAE.</p> <p>The audit committee should evaluate the performance of the internal audit function.</p> <p><b>The council</b>                      The council needs to assess the effectiveness of the audit committee on a periodic basis.</p>				✓			✓		<p>Council shall ensure that the effectiveness of the Audit Committee is assessed</p> <p>The Audit Committee shall ensure that Internal Audit is assessed</p>	<p>Council through the advice of the Acting Director:                      Corporate Services</p> <p>Chairperson of the Audit Committee</p>	End of each financial year

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			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
135	Incorrect entry made in the general ledger	The CFO should ensure that transactions are accounted for correctly.	✓			✓			✓		All general ledger entries will be properly reviewed and accounted for on a monthly basis	CFO	28 Feb 2014

Management Letter Page. no.	Finding	AGSA Recommendations	Classification					Rating			Remedial action	Responsible person	Date
			Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
136	Internal control: Policies and procedures not in place	Accounting Officer should ensure that policies and procedures are documented.	✓			✓			✓		Management shall ensure that the following policies that are currently not in place are developed: <ul style="list-style-type: none"> <li>• Policy or documented procedures to identify disclosures to the financial statements (Contingent liabilities, commitments, related parties and other disclosures)</li> <li>• Inventory management</li> <li>• Policy or documented procedures for identifying subsequent events</li> <li>• Long- term debtors</li> <li>• Expenditure management</li> <li>• Asset maintenance plan</li> </ul>	CFO	28 Feb 2014



