

2022-2023

XHARIEP DISTRICT MUNICIPALITY

ANNUAL REPORT (FINAL) Volume I

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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 2

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

It gives me great pleasure to present this Annual Report for Xhariep District Municipality, for the 2022- 2023 financial year.

The year 2022/23 is a resounding affirmation of the leadership of the Xhariep District Municipality for maintaining quality service delivery to its residents as guided by its Programme of Action which is informed by the Strategic Plan of the Municipality.

At the beginning of the financial year, the budget was allocated for the projects and programmes as per the Key Performance Areas (KPA) contained in the Integrated Development Plan (IDP) document. The Service Delivery and Budget Implementation Plan (SDBIP) were therefore developed for implementation by each municipal department.

All our programmes and projects emanated from our vision of the Municipality. We are hopeful that the leadership will be able to build on this foundation and change the lives of the people of Xhariep District Municipality for good. We trust that the good social contract that exists between the municipality and citizens of Xhariep District Municipality will strengthen for another foreseeable future. We must give immense gratitude to the entire leadership of Xhariep District Municipality, the Councillors for the unity, cooperation and commitment demonstrated throughout this period.

The determination displayed by our management team and workforce at large is truly appreciated. We also wish to extend our sincere and genuine appreciation to all our communities for their continued support and understanding.

Yours in governance



**Executive Mayor
Cllr N I Mehlomakulu**

T1.0.1

Chapter 2

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

It is with great pride and enthusiasm that I present to you the Xhariep District Municipality's Annual Report for the year 2022/2023. This report highlights the strides we have made in fulfilling our mandate to serve and uplift the communities within the district of Xhariep.

The Xhariep District Municipality is committed to ensuring the well-being and prosperity of our communities. We recognize that our responsibilities extend beyond the provision of basic services as municipalities; they encompass the enhancement of quality of life, economic development, and good governance. As we dive into the details of this report, we can attest to the dedication and collective efforts of our dedicated team, whose work has been instrumental in driving positive change throughout our district.

Our municipality has diligently carried out its various powers and functions, and this report extensively covers the key areas in which we have made significant strides. From the promotion of local economic development to municipal and environmental health services, from fire-fighting and veld fire management to public participation, good governance, and financial management, our tireless commitment to excellence shines through every initiative.

We are in full ownership of the achievements outlined in this report, as they reflect our unwavering determination in fostering an environment where opportunities for growth and empowerment are plentiful. The Extended Public Works Programme has facilitated job creation, Promotion of tourism and local economic development, skills development, and infrastructure development, empowering our citizens to contribute meaningfully to the municipality's development through allowing stakeholder's active participation in the IDP and Budget review process on an annual basis.

Furthermore, our dedication to efficient financial management ensures that every resource entrusted to us is utilized judiciously and transparently. We remain steadfast in our commitment to maintaining a culture of accountability and good governance, as we recognize the importance of being responsible stewards of public funds.

I would also like to express my heartfelt gratitude to the community members, stakeholders, and development partners who have continuously supported and collaborated with us throughout our journey. It is through your active participation and valuable input that we are able to better understand the needs and aspirations of our constituents. Together, we will continue to face any challenges with determination and resilience, as we follow in the South African 6th administration, steered by **Honorable President, Mr. C Ramaphosa**, which says;

"Leave no one behind"

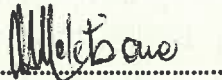
As we embrace the future, we remain committed to learning from our past experiences, adapting to new technologies and approaches, and striving for continuous improvement. We are confident that the strategies and initiatives outlined in this report will pave the way for a vibrant and prosperous future for all.

Chapter 2

Finally, I extend my deepest appreciation to the Xhariep District Municipality team for their unwavering dedication and hard work. Your commitment to excellence and passion for service delivery has been pivotal in achieving the milestones showcased in this report.

I invite all stakeholders to explore this report, which demonstrates the Xhariep District Municipality's progress, challenges, and vision for the future. Together, let us continue to build an inclusive, sustainable, and prosperous district for all.

Yours sincerely,



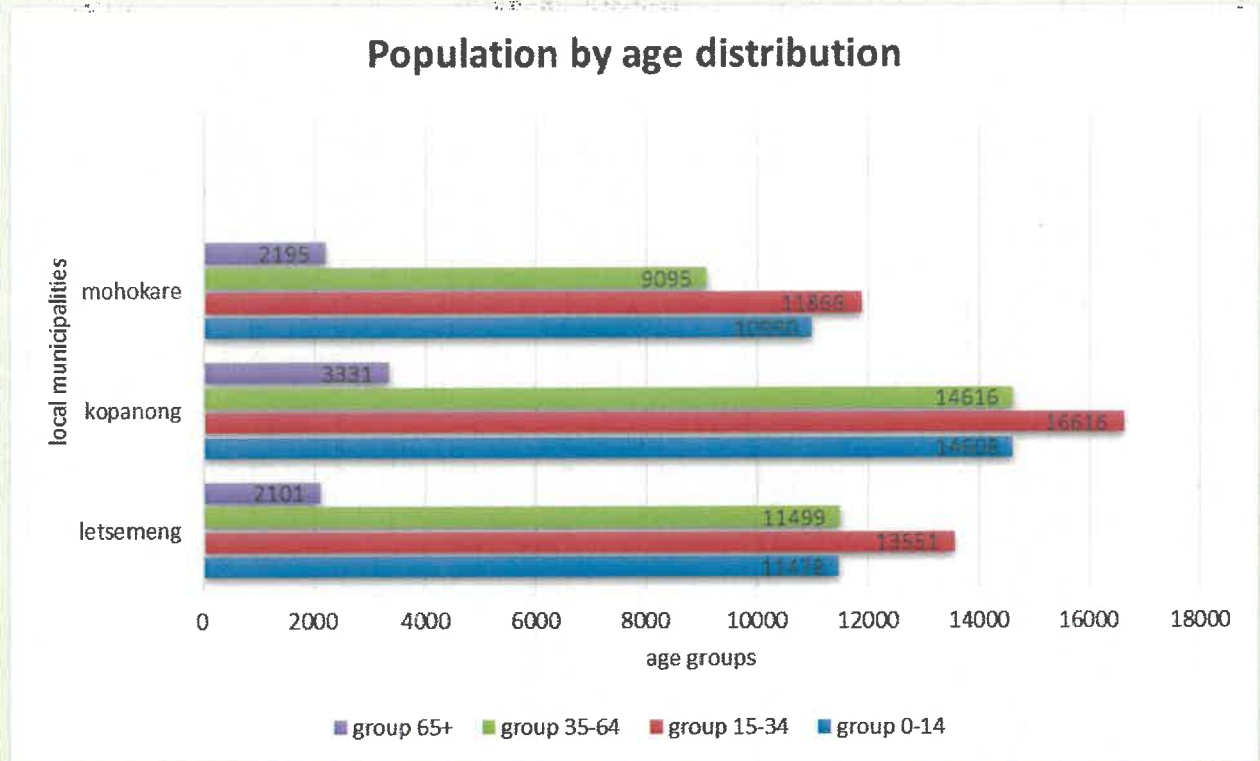
LY Moletsane.
Municipal Manager

T1.1.1

Chapter 2

1.1. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Population Details



Source: Statistics SA Community Survey 2016

T1.2.2

INTRODUCTION TO BACKGROUND DATA9IDP0

Out of 16 district functions, Xhariep district municipality is performing 6 (37.5%) of these functions. Xhariep District is the smallest compared to the others within Free State Province with about 5.2% share of the total provincial population. With 125 884 people, the Xhariep District Municipality housed 0.2% of South Africa's total population in 2017. Compared to Free State's average annual growth rate (0.62%), the growth rate in Xhariep's population at -0.73% was significant lower than that of the province

T 1.2.1

Chapter 2

Socio Economic Status			
Local Municipality	Number	Percentage (%)	
Kopanong	19472	40.38	
Letsemeng	16639	34.50	
Mohokare	12110	25.11	
			T1.2.4

Overview of Neighborhoods within Xhariep District Municipality'		
Settlement Type	Households	
Formal		
2020-2021	39 893	
2021-2022	39 893	
2022-2023	39 571	
Traditional		
2020-2021	66	
2021-2022	66	
2022-2023	351	
Informal settlements		
2020-2021	4 512	
2021-2022	4 512	
2022-2023	5 446	
Source: STATSSA COMMUNITY SURVEY 2016		T1.2.6

Chapter 2

Natural Resources	
Major Natural Resource	Relevance to Community
Water (Gariep Dam)	Supply of water to households and generation of electricity.
Diamonds (Jagersfontein and Koffiefontein)	Job creation, Revenue enhancement, Economic development, human settlement.
Uranium (Edenburg)	Job creation, Revenue enhance, 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

BACKGROUND DATA

Xhariep District forms the southern part of the Free State Province and is one of four district municipalities in the Free State. The municipality measures 34289 km sq. It is bordered by Tokologo Municipality in Lejweleputswa District to the north, Mangaung Metro and Mantsopa Municipality in Thabo Mofutsanyana District to the north-east. Other borders are with the Kingdom of Lesotho to the east, Ukhahlamba Municipality in Eastern Cape Province to the south, Pixley ka Seme Municipality in Northern Cape Province to the west and Frances Baard Municipality in Northern Cape Province to the north-west. Topographically the district is bordered for most of its eastern border by the Maluti and Drakensberg mountains. Hydrological the district is located between the Vaal River to the north, and Orange River to the south, with rivers within the district draining towards these rivers. Xhariep consists of three local municipal areas, with Letsemeng forming the north western section, Kopanong the middle section, Mohokare the south eastern section of the district

T1.2.8

1.2. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The municipality is heavily dependent on grants with little revenue base, the government grants are from National and other spheres of government. This dependency puts a lot of pressure and strain on the municipality's ability to finance both operating and capital expenditures.

The municipality's structure does not respond to the core functions of the municipality due to cash flow challenges. Revenue strategies and performance of powers and functions of the municipality as stipulated in the municipal Structures Act will assist in the long term sustainability of the municipality.

T1.4.1

Chapter 2

Financial Overview - 2022/2023			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Revenue	64,564	69,957	72,561
Grants	58,520	62,074	64,702
Rental of facilities	158	754	594
Interest Earned	655	655	476
Other Income	93	189	80
Public contributions donations and other transfers	5,139	6,287	6,277
Actuarial Gains			431
Expenditure	63,419	68,881	69,082
Surplus / Deficit	1,145	1,076	3,485
			T1.4.2

Operating Ratios	
Detail	%
Employee Cost	85.47
Repairs & Maintenance	4.12
Finance Charges & Impairment	0.46
T1.4.3	

COMMENT ON OPERATING RATIOS

Employee related costs (inclusive of councilor's remuneration) constitutes 85.47% of the total expenditure and excessively high, repairs and maintenance (4.12%) significantly lower than the 8% NT guide while finance charges are curbed lower at 0.46%.

T1.4.3

Chapter 2

ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organization Development (OD) is about improving performance at the individual, group, and Municipal organizational 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

1.3. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT 2022-2023

The audit opinion for 2022 – 2023 financial year was unqualified with findings, this was due to the compliance issues identified in the following:

- Material adjustments in the Annual Financial Statements and the Annual Performance Report;
- Procurement and contract management
- Expenditure management
- Consequence Management
- Strategic planning and performance management
- Utilisation of Grants
- Human Resource Management

Refer to the Audit Report attached for more details.

Chapter 2

T 1.6.1

1.4. STATUTORY ANNUAL REPORT PROCESS

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	Finalised the 4th quarter Report for previous financial year	
4	Submit draft 2022-2023 Annual Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	September – October
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	
10	Municipalities receive and start to address the Auditor General's comments	January
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	February
14	Council adopts Oversight report	March
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	

Chapter 2

17	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	March
		T1.7.1

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

A municipal council is made up of the Municipal councilors who are democratically elected by registered votes within the municipal control. The Speaker is the chairperson of the Municipal Council which she presides over both Ordinary and Special Council meeting and she is also responsible for the discipline of the Municipal Councilors.

The Mayoral Committee consists of Municipal Councilors appointed by the Executive Mayor to serve in the Mayoral Committee. The number of Municipal Councilors on the Mayoral Committee is the minimum number that is needed for efficient and effective government.

The Executive Committee chaired by the Executive Mayor is responsible for the executive functions of the municipality.

T2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The current term of the Municipal Council was inaugurated on the 26 November 2021 and consists of sixteen (16) Councilors.

The Municipal Council consists of ten (10) Councilors who are representing the African National Congress, four (4) Councilors representing Democratic Alliance and two (2) Councilors representing the Economic Freedom Fighters. The Council was appointed or elected as follows: Executive Mayor (1), Speaker (1), 10 Councilors are appointed in three (3) Portfolio Committees which are headed by Members of the Mayoral Committee.

The Council has appointed 3 Councilors as MPAC Committee, The Municipal Manager as the Accounting Officer and the three Section 56 Managers were appointed by the Municipal Council of Xhariep District Municipality.

The Municipal Manager and the 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 accountable for the overall performance of the Municipality and she is accountable to the Executive Mayor and Council.

Chapter 2

T2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

In line with the provisions of the Local Government: Municipal Structures Act 117 of 1998, Xhariep District Municipality has an established political component.

The main role of the political component is provided for in the Structures Act.

Section 80 of the Municipal Structures Act specifies procedures for establishing committees in Municipal council with an executive committee.

One of the functions of the portfolio committee is to process the report tabled before by the Departments before they could be forwarded to the Mayoral Committee and eventually to Council.

In terms of section 79 of the Structures Act, a Municipal Council has established Committees such, as MPAC, which is composed of three (3) Councilors necessary for the effective and efficient performance of its functions.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments after the Management has satisfied itself with the contents of the report it is then submitted to Council for noting. Subsequent to this process, the Annual report is submitted to Oversight Committee before the 31 March each year thereafter to Provincial Authorities.

The Internal Audit conducts audit throughout the year in terms of their audit plan and prepare Audit packs that are then submitted to Internal Audit Committees. After consideration of these reports the Audit Committee forwards its recommendations to Council for consideration.

T2.1.1

Chapter 2

POLITICAL STRUCTURE

MAYOR

Cllr NI Mehlomakulu

Exercises powers delegated to the Mayor by Council or the Executive Committee

SPEAKER

Cllr MA Shasha

Presides at Council meetings and exercises powers delegated to the Speaker in terms of section 59 of the Local Government: Municipal Systems Act, Act 32 of 2000.

CHIEF WHIP

N/A

To ensure political mandates are executed

MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE

Cllr AM Lebaka: Chairperson of the Budget and Treasury Committee

Cllr NJ Garekoe: Chairperson of the Corporate Services Committee

Cllr TD Mochechepa: Chairperson of Planning & Social Development

Chapter 2

COMPOSITION OF COUNCIL AS AT 30 JUNE 2020

Political Party	Total	Directly elected	Seconded
African National Congress	10	6	4
Democratic party	4	1	3
Economic Freedom Fighters	2	1	1

T2.1.1

COUNCILLORS

The current Council structure consist of 16 Councillors, six (6) Councilors are directly elected and ten (10) are Seconded from the three local Municipalities which are, Kopanong, Letsemeng and Mohokare local Municipality. The six full time Councilors includes the Speaker, the Executive Mayor, the three (3) Mayoral Committee members and the Chairperson of the MPAC

Directly Elected Councilors or PR Councilor:

Cllr AM Shasha

Cllr NI Mehlomakulu

Cllr NJ Garekoe

Cllr AM Molai

Cllr AJJ Van Rensburg

Cllr TI Phatsoane

Seconded Councilors from Local Municipalities:

Chapter 2

Kopanong Local Municipality

ClIr MG Mokheseng

ClIr RW Van Wyk

ClIr MV Malgas

ClIr ME Lekoenea

Letsemeng Local Municipality

ClIr AN November

ClIr MM Potgieter

ClIr AM Lebaka

Mohokare Local Municipality

ClIr TD Mochechepa

ClIr IS Riddle

ClIr NA Adoons

T2.1.2

POLITICAL DECISION-TAKING

The Constitution gives both the legislative and executive powers of a Municipality to the Municipal Council. All Municipal Councilors are involved in taking decisions about how the Municipal Council is run, what services it should provide and how it should spend its money.

The Municipal Council is responsible for all the decisions of a Municipality but it may give specific functions to Committees as provided for in part 5; section 79 of the Structures Act. The Section 80 Committee sit as per schedule of Council meeting which is approved by Council to process the reports placed before them and make recommendations to the Mayoral Committee. The recommendation of the Section 80 may be changed by the Mayoral Committee or may be forwarded to the Council as they are. Then Council pronounces itself on the recommendations/ issues tabled before it. Where members share a different view on any matter 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. All decisions taken by Council are called resolutions which are implemented by the administration. In Xhariep District Municipality, these resolutions are taken to Departments through Execution list. Thereafter a Resolution register on resolutions implemented is developed to be presented in Council sitting.

T2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

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; also manage the administration of the institution.

Chapter 2

The Director: Corporate Services administer the Department of Corporate Services and advice the Municipal Manager with issues relating to administration, human resources and information technology. The 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, advices and assists the Municipal Manager on all matters that relates to this department, i.e. planning, local economic development and municipal health services

T2.2.1

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER

Mr PV Litabe(Acting)
Mrs Lebohang Yvonne Moletsane

DIRECTOR: Corporate Services

Mbulelo Aven Jafta

Chief Financial Officer

Mr SJ Matobako(Acting)
Mr Pihi Vincent Litabe

Director: Planning & Social Development

Mrs MA Keswa(Acting for the 1st half of the financial year)

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

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

Chapter 2

2.3 INTERGOVERNMENTAL RELATIONS

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).

T2.3.2

DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are 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

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipality is committed to governing its area of its jurisdiction and its citizens in accordance with the spirit of the Constitution of the Republic of South Africa. This requires the Municipality to undertake community consultation, participation and empowerment as central features. The review of the institution's current Integrated Development Plan included community participation through Stakeholder Engagements and public participation meetings. Through such measures, the communities are able to provide input on their priorities for the period under review. Some benefits include building and strengthening partnerships with various organizations from communities and broader civil society to establish a people's contract in ensuring that citizen participation and representative democracy are combined to promote people-centered and people-driven development and governance.

T 2.4.0

Chapter 2

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The Xhariep District Municipality has a functional Communication Unit. The Communication Unit is a strategic component within the municipality that cut across all departments and units including the public. The Communication Unit also ensures that communication is well coordinated, effectively managed and responsive to the diverse information needs of the people. To fulfill this mammoth task, the communication unit has established the following mechanism, namely;

- a) District Communicators Forum
- b) Periodic update of the municipal website
- c) Quarterly newsletter
- d) Council notices

The council meetings are opened to the public; this is to ensure that the public is informed and council businesses are at the public domain.

T2.4.1

Chapter 2

Public Meetings				
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	05 May 2022	13	10	18
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	06 May 2022	13	9	10
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	09 May 2022	11	5	16
				T2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

Some of the benefits of public meetings include community being part of the decision-making process and, as result, minimizing community protests and civil unrests. The other benefit is that community will take ownership of development within their environment and have a sense of belonging.

T2.4.3.1

Chapter 3

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?	No
* Section 26 Municipal Systems Act 2000	

T2.5.1

Chapter 3

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 and provision of services to the local communities in a sustainable and equitable manner.
- The appointment of staff subject to the Employment Equity Act, 1998.
- The management and 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

Chapter 3

2.5 RISK MANAGEMENT

RISK MANAGEMENT

MFMA, section 62 (1) (c) (i) states that the Accounting Officer of a municipality is responsible for the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems off financial and risk management and internal control.

Paragraph 13 of Chapter 13 of the Public Sector Risk Management Framework states that the Risk Management Committee must provide timely and useful reports to the Accounting Officer/Authority on the state of Risk Management, together with accompanying recommendations to address any deficiencies identified.

The Risk Management Committee Chairperson and Directors as members were appointed during the fourth quarter. The risk management policies were approved by council for 2022-2023 financial years. The following are the responsibilities of Risk Management:

1. Facilitating annual risk assessment within the municipality
2. Advising and guiding the municipality in terms of Institutional risk matters.
3. Developing the Risk Management Strategic documents and Implementation Plan.
4. Coordinating risk management activities.
5. Compilation of Risk Register

T2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

In terms of section 3.2.1 of Treasury Regulations, the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks to the institution. A Fraud and Corruption Management Strategy must be used to direct the internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks.

During the year under review Fraud and Corruption Policy and Strategy was approved, the municipality continued to enforce strategies to combat fraud and corruption. Anti-Fraud and Corruption awareness campaign was conducted by issuing of the Fraud and Awareness Pamphlets as part of efforts to strengthen mechanisms to prevent and combat fraud and corruption.

T2.7.1

Chapter 3

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the municipality was reviewed to ensure that it is in line with the Municipal Supply Chain Management Regulations, other applicable legislations and guidelines of National Treasury. The reviewed SCM policy of the municipality for 2023/24 financial year was approved by the Council in June 2023. The municipality also developed the Preferential Procurement Policy in line with the new Preferential Procurement Regulation of 2022, which was also part of the policies approved by Council in June 2023.

The municipality (as far as the National Treasury SCM implementation check list is concerned, both quarterly and annually) does not have IT related projects above R10m, hence it has not yet utilized the services of SITA to procure such goods or service; and Lastly, an institutional delegation of powers has to be established in collaboration with Free State Provincial Treasury.

No Councillor is a member of any committee handling Supply Chain processes. All three (3) Officials in Supply Chain have the MFMA minimum competency requirements in 2016.

Non – compliance with Supply Chain Management Policy and other applicable legislations which resulted in irregular expenditure – As a remedial action to this problem, such expenditure to be investigated by MPAC, consequence management to be implemented and the SCM checklist to be reviewed and implemented effectively to ensure for an example, that all transactions, prior to awarding, are given to suppliers/service providers that are CSD compliant and/or comply with all the necessary bidding requirements.

T2.8.1

Chapter 3

2.10 WEBSITES

Municipal Website : Content and Currency of Material	
Documents published on the Municipality's / Entity's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	No
All current budget-related policies	No
The previous annual report (2021-2022)	Yes
The annual report (2022-2023) published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2022-2023) and resulting scorecards	Yes
All service delivery agreements (2022-2023)	No
All long term borrowing contracts (2022-2023)	No
All supply chain management contracts above a prescribed value (give value) for 2022-2023	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2022-2023	No
Contracts agreed in 2021-2022 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2022-2023	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2022-2023	No
T2.10.1	

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS

The Communications Unit is the custodian of the municipality in terms of the content that needs to be uploaded onto the website. All documents and content is sent to the communications unit for verification and the verified information is then sent to the IT Unit to be uploaded onto the municipal website.

The role of the IT Unit is to ensure that website is up and running and to upload information that needs to be uploaded. The municipality is still using the Provincial website that was created for all Free State Municipalities.

The website is not user friendly anymore as the IT Unit cannot update the main page. So the IT Unit has resorted to the development of a new municipal website. A website that will be controlled internally.

T2.10.1.1

Chapter 3

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

COMPONENT A: BASIC SERVICES

INTRODUCTION TO BASIC SERVICES

The district municipality started to perform the functions of Environmental Health 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.

Basic services being offered by the District Municipality is as per Health profession Act, 1974 (Act no. 56 of 1974) Regulations defining the scope of the profession of Environmental Health: Amendment: Water and Waste Water quality, Food control, Waste management, Health Surveillance of premises, Vector control, Surveillance and prevention of communicable diseases, Environmental pollution, Disposal of the dead and noise control.

T3.1.0

Employees: Planning Services

Job Level	2021-2022	2022-2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0%
4 – 6	5	6	5	1	16.6%
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	7	8	7	1	12.5%

T3.10.4

Chapter 3

Financial Performance 2022-2023 Planning Services					
					R'000
Details	2021-2022	2022-2023			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	14 409	15,199	16,345	16,233	112
Expenditure:					
Employees	10 913	10,129	11,021	10,732	289
Repairs and Maintenance	0	0		0	0
Other	2 732	2,915	4,061	3,655	406
Total Operational Expenditure	13 645	13,044	15,082	14,387	695
Net Operational Expenditure	744	2, 155	1,263	2,846	(1,583)
					T3.10.5

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The review of the LED strategy is ongoing with the desktop work having been complete, this includes provision of current statistics that are acquired with the assistance of the DESTEA research unit and the COGTA, with this phase complete the proper consultation with all stakeholders will commence.

The District Development platform will be utilised to ensure maximum presence of sector departments which are the one that play a critical role in contributing and providing resources towards the Xhariep District.

COGTA continues to assist local municipalities in the Free State with the development and review of LED Strategies, DESTEA has also been brought on board as the lead department in economic development and the proper footing is yet to be reached so that they can play a meaningful role in the entire process.

T3.11.1

Chapter 3

COMMENT ON LOCAL JOB OPPORTUNITIES

The Xhariep District relies on several key sectors to create jobs and sustainable livelihoods for its residents. These sectors play a vital role in the district's economic development and are responsible for fostering growth and stability within the local community.

1. **Agriculture:** The Xhariep District has a strong agricultural base and is known for its fertile soil and favorable climate. The district relies heavily on the agricultural sector, including crop farming, livestock production, and agribusiness, to create jobs and generate income. This sector not only provides employment opportunities for farmers, farmworkers, and agricultural technicians but also supports various ancillary industries such as food processing, packaging, and distribution.

2. **Tourism:** The Xhariep District is blessed with breathtaking natural landscapes, including the Gariiep Dam, the country's largest inland water reservoir, and the Tussen-die-Riviere Nature Reserve. These attractions, coupled with the district's rich cultural heritage, provide an ideal platform for tourism development. By capitalizing on these resources, the district can create jobs in the hospitality sector, including accommodations, restaurants, tour operators, and recreational activities.

3. **Renewable Energy:** As the world moves towards a greener future, the Xhariep District has recognized the potential for renewable energy development. The district boasts vast expanses of land suitable for solar and wind farm projects. Investing in renewable energy infrastructure not only promotes sustainable energy production but also creates job opportunities in construction, operation, and maintenance of these facilities, as well as in the manufacturing of renewable energy equipment.

4. **Manufacturing and Industrialization:** The Xhariep District has untapped potential for manufacturing and industrialization, particularly in sectors such as agro-processing, textiles, and construction materials. By attracting investments and promoting local entrepreneurship, the district can stimulate job creation and economic growth in these sectors.

5. **Skills Development and Education:** Enhancing the skills and knowledge of the district's workforce is essential for creating sustainable jobs and ensuring long-term economic prosperity. By investing in education and skills development programs, particularly in sectors aligned with the district's economic priorities, such as agriculture, tourism, and renewable energy, the Xhariep District can uplift its workforce, increase employability, and attract more investment. In conclusion, the Xhariep District relies on a combination of agriculture, tourism, renewable energy, manufacturing, and skills development to create jobs and sustainable livelihoods for its residents. By leveraging its natural resources, investing in key sectors, and fostering a skilled workforce, the district aims to generate economic growth and improve the quality of life for its communities.

The District Municipality does not have sufficient resources to create direct job opportunities through Local economic Development. For this reporting period the municipality will highlight the progress made with regards to the SANRAL activities within the Xhariep District.

Chapter 3

In January 2022 the SANRAL announced that it will be investing over R90 million on roads infrastructure projects in the Xhariep District.

It was announced during the quarterly SANRAL a stakeholder meeting that was held in Trompsburg, that this investment which will include the upgrading of existing unsurfaced roads to surfaced roads from Springfontein to Trompsburg will provide much-needed job opportunities for local communities. The project is in the Mohokare and Kopanong local municipalities, which fall under the Xhariep District.

The project is divided into two packages. Package One, which is valued at R 45 011 527, starts at section 13 from Springfontein South to Section 14 Springfontein North, while Package Two, which is valued at R 45 100 000, will begin at section 14 from Springfontein North to Trompsburg. This is an on-going programme that still continues through to the 2022/2023 municipal financial year.

Each package has a community development budget of R3 million that will go towards community development projects to be identified by the community. The information below also includes statistics for the 2022/2023 period – direct investment by the SANRAL.

T3.11.4

Jobs Created during 2022-2023 by LED Initiatives (Excluding EPWP projects)				
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.	
2020-2021	55	0	55	Xhariep District Agri Park, portion of the 1 st phase in Zastron (Farmers Production Support Unit)
	157	0	157	Xhariep District Agri Park, portion of the 1 st phase in Springfontein – Construction of the warehouse and bulk services
2021-2022	32	0	32	Periodic maintenance of the National Route N1 section 14 between Springfontein north and Trompsburg, km 2.20 to km 18.60
	30	0	30	Periodic maintenance of the National Route N1 Section 13 Between Springfontein South and Springfontein North, km

Chapter 3

				41.60 to km 2.20
	53	0	53	Periodic maintenance of the National Route N1 section 13, from Driekuil (km 20.0) to Mount road (km 41.6)
2022-2023	101	0	101	National Route N1 section 14 between Springfontein north and Trompsburg, KM 2.20 to 18,60
	36	0	36	Periodic maintenance of the National Route N1 section 13, between Springfontein South and Springfontein North Km 41.60 to Km 2.20
	94	0	94	Periodic maintenance of the National Route N1 section 13, from Driekuil (km 20.0) to Mount Road (Km 41.6)

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2020-2021	3	187
2021-2022	3	188
2022-2023	3	166
* - Extended Public Works Programme		T3.11.6

Chapter 3

Employees: Local Economic Development Services					
Job Level	2021-2022	2022-2023			
	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	2	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	3	0	0	0	0%

T3.11.8

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

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

A key responsibility in rendering an effective Municipal Health Services is the monitoring of food and health surveillance of private and government premises in order to ensure compliance with R638, Foodstuffs, Cosmetics and Disinfectants act 1972 (Act no. 54 of 1972) and the National health act, 2003 (Act no 63 of 2003).

District Environmental Health Practitioners conduct health inspections of premises and issue out compliance notices to food premises which are found to be non-compliant with the set legislation. A certificate of acceptability (COA) is issued in accordance with the legislation to compliant premises. For other premises Certificate of health is issued to compliant ECD's and old age homes inclusive of the COA. Operational licenses are the competency of the local municipality and other stakeholders.

Surveillance of premises is also conducted to ensure vector control and to monitor health and hygiene standards of premises. Spot raids are conducted with the assistance of SAPS to curb non-compliance by shop owners and seize expired foods. Quarterly monitoring of all premises is conducted by the Environmental Health

Chapter 3

Practitioners. The compliance of food premises inspected in the district was: Quarter 1: 41%, Quarter 2: 25%, Quarter 3: 21% and Quarter 4: 60%

Challenges:

The lack of by-laws and law enforcement remains a challenge in ensuring compliance of all food and other premises in the district.

Health and Hygiene

Health and hygiene awareness activities were successfully carried out by the Environmental Health Practitioners to influence behavioral change on matters on health and the environment. The topics covered included food safety, water safety, water conservation, Personal and hand hygiene and on the prevention of communicable diseases such as Meningitis. The key focus groups were the community members, School learners and the food handlers. The total numbers of campaigns conducted for the four quarters of the 2022/23 financial year were 12.

Waste Management and Health surveillance of premises

The Environmental Health Practitioners in Xhariep District Municipality conducted Health Care Risk Waste compliance inspections at public health care facilities throughout the district. The inspections were conducted in line with the functions of Municipal Health Services, which includes **health surveillance of premises and Waste Management** under the **Health Professions Act, 1974 (Act no. 56 of 1974) Regulations defining the scope of profession of Environmental Health: Amendment** and the **Regulations relating to health care waste management in health establishments no. R 375 of 23 May 2014** under the **National Health Act 61 of 2003** which regulates the management of Health care risk waste in the country as well as the **Free State Health Care Risk Waste Policy**, which is a guideline for the management of Health Care Risk Waste in the province. All facilities in Xhariep DM were monitored for all four Quarters which prompted improvement in compliance. Initially some facilities were in non-compliance in terms of the storage facility for Health Care Risk waste and with regular monitoring most facilities are now fully compliant. This was critical due to the hazardous nature of Health Care Risk Waste because if not managed in compliance with legislation, it poses a risk of infection to humans and environmental pollution. The current compliance rate is; Mohokare LM (100%), Kopanong LM (85%) and Letsemeng LM (100 %).

Disposal of the dead and exhumation of human remains

Another key role is the implementation of Regulations Relating to the Management of Human Remains – Government Notice Number – R 363 of 22 May 2013. District Environmental Health Practitioners conduct compliance inspections at funeral undertaker's premises and issue out compliance notices to both government and private which are found to be non-compliant with legislation and where premises were compliant; a certificate of competence was issued. Monitoring was conducted in the said financial year so as to maintain compliance. Exhumation and re-burial of human remains were conducted by the Environmental Health in the district Practitioners upon request.

Water quality monitoring

Chapter 3

The Environmental Health Practitioners consistently monitored the quality of drinking water at the point of use to ensure that community members receive water that is safe for human consumption and does not pose a risk on human health. The results obtained from the laboratory after analysis is communicated with the local municipalities, the Department of Health and the community where necessary. This is done to also ensure that the local municipalities supply the community with treated water and complies with acceptable standards in terms of legislation. The total number of drinking water samples for the financial year 2022/23 was 396 excluding the re-samples.

T3.64.1

3.67 DISASTER MANAGEMENT

INTRODUCTION TO DISASTER MANAGEMENT

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

Top Four Service Delivery Priorities:

1. Community Safety
2. Preparedness
3. Recovery and Rehabilitation
4. Educational Program

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 Disaster Management Contribution has been set aside for affected families. The DM Unit played a vital role by conducting educational programme both at Secondary and Primary Schools in the district municipality. We are also in partnership with Working on Fire (WoF) to conduct Fire Awareness at local level with the assistance of local Councillors

T3.67.1

Chapter 3

Employees: Disaster Management					
Job Level	2021/2022	2022/2023			
	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	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	2	2	2	0	0%
					T3.67.4

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.69 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

Municipality is currently executing three service delivery related matters, i.e. local economic development, Disaster Management 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 monitoring the quality of drinking water and final waste water effluent from different local municipalities that fall within its jurisdiction on frequent intervals as required by applicable legislations and policies. Furthermore this division insures compliance of food premises and local municipalities' landfill sites.

The Disaster Management Division is located in the Department of Planning and Social Development. The division is responsible to ensure a safe and unwavering environment to the Xhariep district community.

T3.69.1

Chapter 3

Employees: The Executive and Council					
Job Level	2021-2022	2022-2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	0	0%
4 - 6	6	6	6	0	0%
7 - 9	5	5	5	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	0	0%

T3.69.4

Chapter 3

Financial Performance 2020-2021: The Executive and Council						R'000
Details	2021-2022	2022-2023				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	14 783	13,475	13,475	15,300	-1,825	
Expenditure:	0	0	0	0	0	
Employees	11 567	13,101	13,570	11,216	2,354	
Repairs and Maintenance	0	0	0	0	0	
Other	3 865	2,271	2,271	5,112	-2,841	
Total Operational Expenditure	15 432	15,372	15,841	16,328	-487	
Net Operational Expenditure	-649	-1,897	-2,366	-1,028	-1340	
<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	

Employees: Financial Services					
Job Level	2021-2022	2022-2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	5	5	5	0	0%
7 - 9	5	5	5	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	13	13	13	0	0%
					T3.70.4

Chapter 3

Financial Performance 2022-2023: Financial Services					
R'000					
Details	2021-2022	2022-2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13 467	16,724	16,724	14,662	2062
Expenditure:					
Employees	9 083	10,245	10,245	9,507	738
Repairs and Maintenance	0	0	0	0	0
Other	7 317	3,586	3,586	3,726	148
Total Operational Expenditure	16 400	13, 831	13, 831	13, 233	598
Net Operational Expenditure	2 753	2, 893	2, 893	1, 429	1,464
<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

Chapter 3

3.71 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

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 this division has made major strides in ensuring that leave of employees is managed in accordance with Municipal Human Resources Policy Manual. Every week there is reconciliation of attendance registers, VIP register with completed leave forms; and 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 the payroll division in order to ensure that accurate information is forwarded to division before processing the salaries of councillors 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 15th 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 interested individuals. It is important to highlight that the Municipality appoints only incumbents who meets minimum competency requirements as placed on the advertisement.

T3.71.1

Chapter 3

Employees: Human Resource Services					
Job Level	2021-2022	2022-2023			
	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	4	5	1	1	20%
7 - 9	1	1	1	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	6	6	6	1	16.6%
					T3.71.4

Chapter 3

Financial Performance 2022-2023: Human Resource Services					
R'000					
Details	2021-2022	2022-2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	19 890	19,969	19,969	24,795	-4,826
Expenditure:					
Employees	19 416	19,028	19,028	19,290	-262
Repairs and Maintenance	379	405	251	147	104
Other	3 968	3,977	3,977	4,866	-889
Total Operational Expenditure	23 763	23,410	23,256	24,303	1,047
Net Operational Expenditure	(3 873)	(3,441)	(3,287)	492	3,779
<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>					T3.71.5

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 main objective of the IT Unit is to

1. Ensure connectivity at all times: This was achieved through enhancement of the bandwidth from 10mbps to 30mbps and the connectivity is much stronger.
2. Ensure stable Network infrastructure: This issue is currently been addressed with a project to revamp the entire network infrastructure.
3. Ensure Servers and server room is fully functional: The servers are fully functional. The network infrastructure in a good state as the Network Infrastructure Revamp project is in its final stages, fire extinguishing unit will also be replaced, The floor was listed as well in case of flooding.

Chapter 3

4. Ensure information systems are fully operational: The municipality has moved to the cloud in terms of housing of the Financial Information System. All Information Systems are functioning properly.

5. Ensure smooth Telecommunications: The project to install fully functional Telephone System is in the final stages

6. Ensure printing facility is available: The municipality has recently bought a printer for the archives office for volume printing. There are also small printers bought for various offices to address printing at a smaller scale.

7. Ensure Municipal Website is fully functional: The website is not working perfectly. The main page of the website cannot be updated due to restrictions. The other challenge is that of the Departments and Units are not submitting necessary documents to the Communications Unit, some documents are not submitted on time, in some instances not submitted at all.

T3.72.1

Employees: ICT Services					
Job Level	2021-2022	2022-2023			
	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	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	2	2	2	0	0%

T3.72.4

Chapter 3

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

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

TOP LAYER PERFORMANCE INFORMATION

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
MUNICIPAL MANAGER												
TL 1	Municipal Manager	Develop and enhance human capital services to maximize service delivery	MT&ID	Employments contracts	4	3	(1)	This is due to the vacancy of the Director: Planning and Social Development	The municipality to fill the vacancy of the Director: Planning and Social Development in the new financial year	4	3	(1)
TL2	Municipal Manager	Develop and enhance human capital	MT&ID	Performance Management	2 x formal Assessment Reports 1 x	2 x informal 1x Formal	(1)	The last formal Review is scheduled for September 2024 as per	The formal review to take place as planned	4	0	(4)

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	services to maximize service delivery	Performance Management	No. of performance analysis reports to Management on a quarterly basis	informal Assessment Reports				the signed performance agreements		
TL3	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID		4	4	0		4	4	0
TL4	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Overseeing the functionality of Audit Committee	4	2	(2)		The Audit Committee was only appointed in the third quarter hence the number of meetings	4	2
TL5	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Providing support to Local Municipalities through Technical IGR engagements	4	3	(1)		Technical IGR could not sit as planned in the quarter in question due to a disruption by Kopanong LM employees protesting for	4	1
								The Audit Committee will sit as planned going forth		
								The Technical IGR will sit as planned in the new financial year		(3)

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TL6	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Risk Management Committee on a quarterly basis	4	1	(3)	salaries and the meeting had to be postponed	Risk Management Committee will sit as planned going forth and will consider all reports related to risk management	4	0	(4)
TL7	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Improved audit outcomes	Monitoring the implementation of AGSA audit action plan and report quarterly	2	2	0	-	-	2	2	0
TL8	Sustain good corporate governance through effective and accountable	GG&PP	Improved audit outcomes	Obtaining a clean audit outcome for the 2021-2022 audit	1	0	(1)	The municipality received an unqualified audit opinion (with	Development of an audit action plan, monitoring and reporting progress made in terms of	1	0	(1)

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	clean administration								matters of emphasis)	implementing matters raised by the Auditor General (AGSA)		
TL9	Continue with accountable and development orientated monetary management to sustain a sound fiduciary position.	MFV&M	Ensure compliance with Section 32 of the MFMA	Monthly reports on irregular, unauthorised, fruitless and wasteful expenditure	12	12	0	-	-	-	12	0
TL10	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Ensure compliance with the Municipal Staff Regulations (2021)	Monitoring the implementation plan of the Municipal Staff Regulations (2021) on a quarterly basis	4	4	0	-	-	-	New KPI	New KPI
TL11	Sustain good corporate governance through effective and accountable	MT&ID	Ensure compliance with the Municipal Staff Regulations	Review of the Staff establishment in line with Guideline 1A on or before 30 Sep	1	0	Staff establishment was only reviewed on 7 December	-	-	-	New KPI	New KPI

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/IS TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	clean administration		(2021)	2022			2022					
CHIEF FINANCIAL OFFICER												
TL12	To manage the finances of the municipality to ensure financial viability	MFV&M	Annual Financial Statements	Compilation of AFS on or before 31 Aug 2022 and submission to AGSA	1	1	0	-	-	1	1	0
TL13	To manage the finances of the municipality to ensure financial viability	MFV&M	Oversee the review and implementation of the Audit Action Plan	Updated Action Plan	2	2	0	-	-	2	2	0
TL14	To manage the finances of the municipality to	MFV&M	Review of journals prior capturing on the	Quarterly review of journal entries	4	4	0	-	-	4	4	0

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TL15	ensure financial viability	MFV&M	financial system(SAGE)	% of FMG conditional operational grant spent on a quarterly basis	100%	100%	100%	0	-	100%	100%	0
	To manage the finances of the municipality to ensure financial viability		Ensure that the FMG conditional operational grant is fully utilised by 30 June 2023									
TL16	ensure financial viability	MFV&M	financial system(SAGE)	Quarterly reports on the deviations of the SCM Policy	4	4	4	4	-	4	4	0
	To manage the finances of the municipality to ensure financial viability		Oversee the implementation of the SCM Policy									
TL17	ensure financial viability	MFV&M	financial system(SAGE)	Annual Report on the deviations of the SCM Policy to Council	1	0	(1)		Annual Report on the deviations of the SCM Policy compiled but could not be tabled before	New KPI	New KPI	New KPI
	To manage the finances of the municipality to ensure financial viability		Oversee the implementation of the SCM Policy						Annual Report on the deviations of the SCM Policy will only be tabled in the next sitting of Council in August 2023			

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TL18	To manage the finances of the municipality to ensure financial viability	MFV&M	Compilation of MFMA Sec 71 reports to Provincial and National Treasury	Monthly MFMA Sec 71 reports	12	12	0	-	12	12	0
TL19	To manage the finances of the municipality to ensure financial viability	MFV&M	Compilation of MFMA Sec 52(d) reports to Provincial and National Treasury	Quarterly MFMA Sec 52(d) (MFMA) reports	4	4	0	-	4	4	0
TL20	To manage the finances of the municipality to ensure financial viability	MFV&M	Compilation of SCM reports to Provincial and National Treasury	SCM quarterly reports	4	4	0	-	4	4	0

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TL21	To manage the finances of the municipality to ensure financial viability	MFV&M	Monitor the implementation of the Demand Management Plan	Quarterly reports on the implementation of the Demand Management Plan	4	4	4	0	-	-	4	4	0
TL22	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Ensure compliance with the Municipal Staff Regulations (2021)	Monitoring the implementation plan of the Municipal Staff Regulations (2021) on a quarterly basis	4	4	4	0	-	-	New KPI	New KPI	New KPI
TL23	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Risk Management Committee by Senior Management	4	1	(3)		Risk Management Committee was only appointed in the third quarter hence the number of reports	Risk Management Committee will sit as planned going forth and will consider all reports related to risk management	4	0	(4)
TL24	Sustain good corporate governance through	GG&PP	Improved audit outcomes	Obtaining a clean audit outcome for the 2021-2022	1	0	(1)		The municipality received an	Development of an audit action plan, monitoring	1	0	(1)

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	effective and accountable clean administration			audit				unqualified audit opinion (with matters of emphasis)	and reporting progress made in terms of implementing matters raised by the Auditor General (AGSA)			
DIRECTOR: CORPORATE SERVICES												
TL25	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Oversee the compilation and the submission of the WSP	WSP approved by the LLF and submitted to LGSETA in April 2023	1	1	0	-	-	1	1	0
TL26	Sustain good corporate governance through effective and accountable	MT&ID	Ensure compliance with the Municipal Staff Regulations	Review of the Employment Equity Policy/Plan on or before 30 Sep 2022	1	1	0	-	-	New KPI	New KPI	New KP

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	clean administration	(2021)										
TL27	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Employment Equity	Monitor and report on the implementation of the Employment Equity Plan	1	1	0	-	1	1	0	0
TL28	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Work Skills Plan	No. of employees to be trained for the 2022-2023 financial year	5	5	0	-	8	0	(8)	
TL29	Oversee the achievement of good governance through the implementation of council resolutions	GG&PP	Planning of the sitting of Council and Council Committees	Develop schedule for the sitting of Council and Council Committees and table before Council	1	1	0	-	1	1	0	

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TL30	Oversee the achievement of good governance through the implementation of council resolutions	GG&PP	Ensure that Council sits as regulated by the MSA(Act 32 of 2000)	No. of Council (ordinary) meetings	4	6	2	Council sat twice in the first quarter to appoint acting incumbents as the contracts of most Senior Managers came to an end. Then sat twice in the third quarter for considering the draft IDP/Budget for 2023-2024.	-	4	6	2
TL31	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Stakeholder relations	No. of Political IGR meetings held	4	4	0	-	-	2	1	(1)

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TL32	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Stakeholder relations	No. of District AIDS Council meetings held	4	3	(1)	The District AIDS Council meeting could not sit as planned in the 4th quarter is due to unavailability of members	The District AIDS Council meetings will sit as planned going forth	New KPI	New KPI	New KPI
TL33	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure Functionality of the Local Labour Forum	No. of Local Labour Forum meetings	4	4	0	-	-	4	2	(2)
TL34	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Performance management System	Implementation of the individual performance management (Senior Management level) before 30 June 2023	2	1	(1)	The last formal Review is scheduled for September 2024 as per the signed performance agreements	The formal review to take place as planned	New KPI	New KPI	New KPI
TL35	Sustain good corporate governance through	MT&ID	Ensure compliance with the Municipal	Monitoring the implementation plan of the Municipal Staff	4	4	0	-	-	4	4	0

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	effective and accountable clean administration		Staff Regulations (2021)	Regulations (2021) on a quarterly basis								
TL36	Embed good governance through sound administrative practices and improved stakeholder relation	GG&PP	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Risk Management Committee	4	1	(3)	Risk Management Committee was only appointed in the third quarter hence the number of reports	Risk Management Committee will sit as planned going forth and will consider all reports related to risk management	4	0	(4)
TL37	Sustain good corporate governance through effective and accountable clean administration	GG&PP	Improved audit outcomes	Obtaining a clean audit outcome for the 2021-2022 audit	1	0	(1)	The municipality received an unqualified audit opinion (with matters of emphasis)	Development of an audit action plan, monitoring and reporting progress made in terms of implementing matters raised by the Auditor General (AGSA)	1	0	(1)

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DIRECTOR: PLANNING AND SOCIAL DEVELOPMENT

TL38	Planning and Social Development	Provide safe and healthy environment for the community.	BSD&ID	Ensure that water quality tests are done on a quarterly basis.	4	4	0	-	A Service provider for water quality testing was appointed in time hence water samples were taken as planned in the 2022-2023 financial year	4	2	(2)
TL39	Planning and Social Development	Strategic support on the implementation of municipal programmes and projects	BSD&ID	Ensure that the RRAMS grant is fully utilised by 30 June 2023	100%	100%	0	-	The RRAMS grant was spent and utilised as budget for in the 2022-2023 financial year	100%	44%	(56%)
TL40	Planning and Social Development	Strategic support on the implementation of municipal programme	BSD&ID	No. of reports to Management/Council on the implementation of the RRAMS project	4	3	(1)	The first quarter RRAMS report was only tabled to Management	Management to sit as scheduled and consider reports as planned	4	4	0

Chapter 3

	s and projects								t in the second quarter due to management not sitting in the first quarter			
TL41	Facilitate investment and development of strategic infrastructure to unlock growth and job creation	LED	Job Creation	No. of work opportunities created through the Expanded Public Works Programme	237	166	(71)	The targeted number of work opportunities could not be met as planned due to the exhaustion of the EPWP grant	188	188	0	0
TL42	Facilitate investment and development of strategic infrastructure to unlock growth and job creation	LED	Ensure participation of all local municipalities towards the implementation of LED	No of LED Forums	4	4	0		4	4	0	0
TL43	Facilitate investment and	LED	Lobbying of external	No. of stakeholder	2	2	0		2	2	0	0

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	development of strategic infrastructure to unlock growth and job creation	stakeholders to invest in Xhariep	engagement meetings									
TL44	Provide safe and healthy environment for the community.	Ensuring HCRW management compliance in health care facilities	No. of reports on Health Care Risk Waste assessment conducted.	4	4	0	-	-	4	4	0	0
TL45	Provide safe and healthy environment for the community.	Support the implementation of the Disaster Management Plan	No. of Disaster Advisory forums planned	4	4	0	-	-	4	4	0	0
TL46	Provide safe and healthy environment for the community.	Support the implementation of the Disaster Management Plan	No of disaster educational and awareness campaigns planned	2	2	0	-	-	2	2	0	0
TL47	Sustain good corporate	Improved audit outcomes	Obtaining a clean audit	1	0	(1)	The municipality	Development of an audit action	1	0	(1)	(1)

Chapter 3

DEPARTMENTAL PERFORMANCE

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
MUNICIPAL MANAGER												
D1	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Implementation of the Risk Management, anti-fraud and anti-corruption initiatives	No. of Risk Management, anti-fraud and anti-corruption awareness conducted	1	1	0	-	-	1	1	0
D2	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Risk Management	Development of the Risk Management Register before 30-Sep- 2022	1	1	0	-	-	1	1	0

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D3	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Risk Management Reports	No. of quarterly risk assessments performed for each (4) department	4	3	(1)	Risk Assessment for the third quarter could not be performed as planned to the CRO not having tools of trade	Tools of trade were bought for the CRO and Risk Assessment for the other quarters was conducted as planned	4	4	0
D4	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Improved audit outcomes	Reduction of audit findings by 80% in the 2021/2022 financial year	80%	53.43%	(26.57%)	There is an increase of 39 queries in the last audit. 73(2021) to 112(2022)	An Action Plan has been developed and will be monitored by management	80%	19.67 %	(60.33)
D5	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Functional Internal Audit Unit (MFMA 62(1))	No. of quarterly IA reports prepared for Audit Committee	4	2	(2)	The Audit Committee was only appointed in the third quarter hence the number of reports	The Audit Committee will sit as planned going forth and consider all reports related to Internal Audit	4	2	(2)

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D6	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Development of the Risk based audit plan	Risk based audit plan approved by Audit Committee by 30- Sep-2022	1	1	0	This is due to the non-functionality of the Audit Committee in the first half of the financial year	Risk based audit plan was only approved in the third quarter	1	0	(1)
D7	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Compilation of the draft Annual Report	Draft Annual Report approved by Council on or before 31 January 2023	1	1	0	-	-	1	1	0
D8	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Compilation of the Oversight Report on Annual Report (MFMA 129(1) and MSA 46(2))	Oversight Report adopted by Council on or before 31 March 2023	1	1	0	-	-	1	1	0

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D9	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Mid- Year review of the performance of the municipality (MFMA S72)	Mid-year report submissions (Mayor, Provincial and National Treasury) by 25 January 2023	1	1	0	-	-	1	1	0
D10	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Develop IDP / Budget (Time schedule of key deadlines (Process Plan) (MSA 28 / MFMA 21)	Approved IDP Framework and Process Plan on or before 31 Aug 2022	1	1	0	-	-	1	1	0
D11	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	IDP and Budget Public Participation meetings	No. of meetings held before the approval of the IDP and Budget	3	3	0	-	-	3	3	0

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
D12	Embed good governance through sound administrative practices and improved stakeholder relations	GG&PP	Complete final IDP (MSA 34)	Final IDP approved by Council on or before 30 June 2023	1	1	0		-	-	1	0
D13	Embed financial viability and sustainability through good financial management	MFV&M	Sound Financial Management	No of monthly MFMA Sec 71 Reports presented to the Executive Mayor	12	12	0		-	-	12	0
FINANCIAL SERVICES												
D14	Embed financial viability and sustainability	MFV&M	Production of annual Audit file	No of Audit files produced by mid-August	1	1	0		-	1	1	0

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D18	Embed financial viability and sustainability through good financial management	MFV&M	Financial Viability: Debt coverage (Reg 796)	Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year) (SA8)	>1	0.03 %	(0.97%)	costs	This is due to Insufficient cash flow to cover debts	The municipality does not generate its own revenue, its grant depended	>1	0.07 %	(0.93%)
D19	Embed financial viability and sustainability through good financial management	MFV&M	Monthly notification of awards over R 100 000	List of awards	12	12	0	-	-	-	12	12	0
D20	Embed financial viability and sustainability through good financial management	MFV&M	Effective management of payroll by providing the section 66 payroll report on a monthly basis	Monthly reports to management in terms of section 66 of the MFMA	12	12	0	-	-	-	12	12	0

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... F IDP KPA KPI DMI D

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
D21	Embed financial viability and sustainability through good financial management	MFV&M	Ensure the submission of IRP5's	IRP5's submitted not later than 30 May 2023 to SARS	1	1	0	-	-	1	1	0
D22	Embed financial viability and sustainability through good financial management	MFV&M	Monthly salary reconciliations	No of reconciliations done	12	12	0	-	-	12	12	0
DIRECTORATE: CORPORATE SERVICES												
D23	Oversee the achievement of good governance through the implementation of council	GG&PP	Draw quarterly resolution execution report for all directorates	No. of execution reports where Council resolutions are captured on every sitting of Council	4	6	2	Council sat twice in the first quarter to appoint acting incumbents as the contracts of most Senior Managers	-	4	6	2

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE/S TAKEN TO IMPROVE PERFORMANCE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
D28	Sustain good corporate governance through effective and accountable clean administration	MT&ID	Declaration of Interest	No. of Councillors that have declared their financial interests on or before 30 September 2022	16	16	0	-	-	New KPI	New KPI	New KPI
D29	Coordinate sustainable social livelihood through developmenta l programmes	S&CD	Social Responsibility	100% utilisation of the Social Responsibility grant by 30 June 2023	100%	100%	0	-	-	New KPI	New KPI	New KPI
PLANNING AND SOCIAL DEVELOPMENT												
D30	Facilitate investment and development of strategic	LED	Implementation of the Expanded Public Works Programme	No. of quarterly reports on the EPWP progress, grant, staff and wages paid	4	3	(1)	Although 4 reports were compiled; the first quarter report only	Line managers to align their reporting with the schedule	4	4	0

Chapter 3

	infrastructure to unlock growth and job creation	(EPWP)	submitted to the MM/ Council				served before management in the second quarter	of management meetings			
D31	Facilitate investment and development of strategic infrastructure to unlock growth and job creation	Report on the implementation of the EPWP	No. of EPWP steering committee meetings held quarterly	4	4	0	-	-	4	4	0
D32	Facilitate investment and development of strategic infrastructure to unlock growth and job creation	Expenditure of the EPWP Grant	100% Expenditure by end of June 2023	100%	100%	0	-	-	100%	100%	0
D33	Facilitate investment and development of strategic infrastructure to unlock	Making tourism awareness to schools and communities	No. of tourism awareness campaigns conducted quarterly	4	4	0	-	-	4	4	0

Chapter 3

	for the community.		HCRW Policy)	Health Care Risk Waste assessment conducted.																
D37	Provide safe and healthy environment for the community.	BSD&ID	Food monitoring as per R638	No. of food premises inspected per local municipality on a quarterly basis	Kopanong 50 Letsemeng 40 Mohokare 40	69 44 70	19 4 30	Follow up inspections had to be done to enforce compliance of the food premises	-	60 50 50	90 47 69	30 (3) 19								
D38	Provide safe and healthy environment for the community.	BSD&ID	Water quality monitoring	No of water quality samples collected per local municipality	Mohokare 72 Letsemeng 108 Kopanong 216	72 108 216	0 0 0	A Service provider for water quality testing was appointed in time hence water samples were taken as planned in the 2022-2023 financial year		72 108 216	64 104 194	(8) (4) (22)								
D39	Provide safe and healthy environment for the community.	BSD&ID	Improve service delivery to communities	No. of quarterly sanitation(waste water) reports submitted to Management	4	3	(1)	Although 4 reports were compiled, the first quarter report only served before	Line managers to align their reporting with the schedule of	4	0	(4)								

Chapter 3

D40	Provide safe and healthy environment for the community.	BSD&ID	Improve service delivery to communities	No. of quarterly waste water samples taken per local municipality	Mohokare 12 Kopanong 4 Letsemeng4	12 3 4	0 (1) 0	management in the second quarter	management meetings	12 4 4	8 2 3	(4) (2) (1)
D41	Provide safe and healthy environment for the community.	BSD&ID	Environmental Health services	No. of people reached for Health Education programmes	200	699	499	More people showed interest in the Health Education Programmes	-	200	637	437

Chapter 3

D42	Provide safe and healthy environment for the community.	BSD&ID	Disaster Management	No. of municipal disaster management advisory forum meetings held (section 51 of the Disaster Management Act 2002)	4	4	0	-	-	4	4	0
D43	Provide safe and healthy environment for the community.	BSD&ID	Disaster Management	No. of Disaster Management awareness sessions held in the District	2	2	0	-	-	2	2	0

Chapter 3

The following abbreviations are used in the service delivery targets and performance indicators:

KPA -	Key Performance Area
KPI -	Key Performance Indicator
GGPP -	Good Governance and Public Participation
MFVM -	Municipal Financial Viability and Management
MTID -	Municipal Transformation and Institutional Development
LED -	Local Economic Development
BSD&ID -	Basic Service Delivery and Infrastructure Development
MFMA -	Municipal Finance Management Act 56 of 2003
MSA -	Municipal Systems Act 32 of 2000
EEA -	Employment Equity Act 55 of 1998
SDA -	Skills Development Act 97 of 1998
MPPR -	Local Government: Municipal Planning and Performance Management Regulations, 2001
MPR -	Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION

Organization Development (OD) is about improving performance at the individual, group, and Municipal organizational 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.

T4.0.1

Chapter 4

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: 2022-2023			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	2	1	50%
Other S57 Managers (Finance posts)	0	0	0%
Managers: Levels 0-3 (excluding Finance Posts)	13	0	0%
Senior management: Levels 0-3 (Finance posts)	3	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	10	1	10%
Highly skilled supervision: levels 9-12 (Finance posts)	4	2	50%
Total	34	4	11,7%

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*
2020/2021	8	5	6.0%
2021/2022	11	10	11%
2022/2023	4	5	5.92

T4.1.3

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.3 INJURIES, SICKNESS AND SUSPENSIONS

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

T4.3.1

Chapter 4

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

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
Finance Interns	14	0	4	5	3.5	5 384
General Assistants/Maintenance (9-12)	42	0	5	6	7	24 217
Drivers/Admin/Clerks(5-8)	272	0	4	17	16	317 488
Accountants/Officers/Practitioners(4-6)	364	0	3	26	14	597 809
Middle Management (0-3)	385	0	1	17	23	623027
MM and S57	1	0	1	3	0.3	5 375
Total	1078	0	18	74	14.6	1 573 300

T4.3.2

Number and Period of Suspensions

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
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No cases of suspensions were reported in the 2022-2023 financial year due to good employer and employee relations

T4.3.5

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
No financial misconduct cases were reported in the 2022-2023 financial year			
			T4.3.6

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix													
Management level	Gender	Employees in post as at 30 June 2022-2023	Number of skilled employees required and actual as at 30 June 2022-2023						Total				
			Learnerships			Skills programmes & other short courses			Other forms of training				
No.	Actual: End of 2021-2022	Actual: End of 2022-2023	Target	Actual: End of 2021-2022	Actual: End of 2022-2023	Target	Actual: End of 2021-2022	Actual: End of 2022-2023	Target	Actual: End of 2021-2022	Actual: End of 2022-2023	Target	Actual: End of 2022-2023
MM and s57	Female	1	0	0	0	0	1	1	1	1	1	1	1
	Male	2	0	0	0	0	1	1	1	1	1	1	1
Councillors	Female	7	0	0	0	0							1
	Male	8	0	0	0	0	0	0	0	0	0	0	0
Technicians and associate professionals*	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	22	0	0	0	0	0	0	0	0	0	0	0
	Male	14	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	30	0	0	0	0	0	0	0	0	0	0	0
	Male	24	0	0	0	0	0	0	0	0	0	0	2
Total		54					2	2	2	3	3	3	3

*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))
Financial Officials	12	0	12	0	0	12
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	2	0	2	2	2	2
<i>Any other financial officials</i>	0	0	0	0	0	0
Supply Chain Management Officials	2	0	2	0	0	2
<i>Heads of supply chain management units</i>	1	0	1	0	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
TOTAL	18	0	18	3	0	18

T4.5.2

Chapter 4

R'000												
Management level	Gender	Employees as at the beginning of the financial year	Learnerships			Skills programmes & other short courses		Other forms of training		Total		
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	
MM and S57	Female	1	-	-	-	-	-	152 000	-	-	-	-
	Male	1	-	-	-	-	-	60 000	-	-	-	-
Councillors	Female	1	-	-	-	-	-	-	-	-	-	-
	Male	0	-	-	-	-	-	-	-	-	-	-
Managers	Female	0	-	-	-	-	-	-	-	-	-	-
	Male	0	-	-	-	-	-	-	-	-	-	-
Professionals	Female	0	-	-	-	-	-	-	-	-	-	-
	Male	0	-	-	-	-	-	-	-	-	-	-
Clerks	Female	1	-	-	-	-	-	-	-	-	-	-
	Male	2	-	26 000	-	-	-	-	-	-	-	-
Elementary occupations	Female	2	-	52 000	-	-	-	-	-	-	-	-
	Male	2	-	52 000	-	-	-	-	-	-	-	-
Sub total	Female	3	-	-	-	-	-	-	-	-	-	-
	Male	4	-	-	-	-	-	-	-	-	-	-

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Total	17	-	130 000	-	-	212 000	-	%*	*RO
<i>*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.</i>									
T4.5.3									

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Repair and Maintenance Expenditure: 2022-2023

	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	405	251	147	104

R' 000
T5.3.4

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the municipality was reviewed to ensure that it is in line with the Municipal Supply Chain Management Regulations, other applicable legislations and guidelines of National Treasury. The reviewed SCM policy of the municipality for 2023/24 financial year was approved by the Council in June 2023. The municipality also developed the Preferential Procurement Policy in line with the new Preferential Procurement Regulation of 2022, which was also part of the policies approved by Council in June 2023.

The municipality (as far as the National Treasury SCM implementation check list is concerned, both quarterly and annually) does not have IT related projects above R10m, hence it has not yet utilized the services of SITA to procure such goods or service; and Lastly, an institutional delegation of powers has to be established in collaboration with Free State Provincial Treasury.

No Councillor is a member of any committee handling Supply Chain processes. All three (3) Officials in Supply Chain have the MFMA minimum competency requirements in 2016.

Non – compliance with Supply Chain Management Policy and other applicable legislations which resulted in irregular expenditure – As a remedial action to this problem, such expenditure to be investigated by MPAC, consequence management to be implemented and the SCM checklist to be reviewed and implemented effectively to ensure for an example, that all transactions, prior to awarding, are given to suppliers/service providers that are CSD compliant and/or comply with all the necessary bidding requirements.

T5.12.1

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CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2022-2023

Auditor-General Report on Financial Performance 2022-2023	
Audit Report Status*:	Unqualified Opinion (2022 – 2023)
Non-Compliance Issues	Remedial Action Taken
Performance management: No panel in place to conduct the evaluation of the performance for senior management and the municipal manager	Public participation was conducted and attendance registers were submitted to Auditor General. Only the attendance register of Kopanong LM was outstanding due to misplacement; however, it was recovered and submitted to AG in a hardcopy. The AG considered the document but because lack of representation from Kopanong Local Municipality's administration, the AG then raised a finding. It should be noted that attendance of stakeholders is beyond the municipality's control. In future the following measures will be implemented: 1. Schedule of IDP consultations to be Publicised and shared with all stakeholders including local municipal administrators and political principals 2. Invitations to all Local Mayors 3. Reminders to all Invitees 1.1 The Draft IDP of 2022-2023 has been revised and Draft IDP and has been tabled to Council on 28 March 2023. KPI's and Targets for all KPA have been included as planned and budgeted by the municipality. The SDBIP will then monitor the implementation of the IDP effectively so in the as at 01st July 2023.
Internal control: Non-compliance by the audit committee with meeting and function requirements	The Audit and Performance has been appointed on the 25th January 2023, therefore the issues that are raised here will be addressed by the sitting of the Audit and Performance Committee on a Quarterly basis.
Governance: MPAC did not properly function for the majority of the financial year and some information was not received (Rf112)	The MPAC committee has investigated the Fruitless and Wasteful expenditure incidence report for July 2019 to 30 June 2020, 01 July 2020 to 30 June 2021 and for July 2021 to December 2021 and the Meeting was held on the 30th May 2022 and the report was submitted to Council on the 19 July 2022. The MPAC has investigated Fruitless and Wasteful expenditure report for January to June 2022 on the meeting held on the 02 December 2022 and the report was submitted to Council on the 23 February 2023. The MPAC has investigated Unauthorized and Wasteful expenditure report for 2019/2020 and for 2020/21 financial year and the meeting was held on the 02 December 2022, the report was submitted to Council on the 23 February 2023
Internal control: Oversight deficiencies in the audit committee work	The Audit and Performance has been appointed on the 25th January 2023, therefore the issues that are raised here will be addressed by the sitting of the Audit and Performance Committee on a Quarterly basis.
Internal audit: Internal control deficiencies identified during assessment of internal audit	The Audit and Performance has been appointed on the 25th January 2023, therefore the issues that are raised here will be addressed by the sitting of the Audit and Performance Committee on a Quarterly basis.
Consequence management: UIFW expenditure not reported to other role-players as required by section 32	MPAC is busy with the UIF&W investigation of prior years.
Consequence management: No evidence of unauthorized and fruitless and wasteful expenditure	MPAC is busy with the UIF&W investigation of prior years.

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being investigated	
Consequence management: No evidence obtained relating to investigation of irregular expenditure	MPAC is busy with the UIF&W investigation of prior years.
Consequence management: Disciplinary committee not effective during the year	Disciplinary Board was appointed by Council on the 25 January 2023, terms of reference were also approved by Council on the same date
Consultants: Issues noted during the evaluation of consultants	Management to develop a guiding document aimed at reducing use of consultants and at the same time continues to internally build capacity to compile AFS's with either limited or no use of consultants. The municipality to review AFS thoroughly prior to submission.
Consultants: Issues identified during the assessment of consultants	Management to develop a guiding document aimed at reducing use of consultants and at the same time continues to internally build capacity to compile AFS's with either limited or no use of consultants. The municipality to review AFS thoroughly prior to submission.
Expenditure: Payments not made within 30 days	The management will ensure that all the invoices that must be paid will be paid within 30 days of invoice. All the payments will be checked before being approved if the budget is available for the payment to be processed. A memo will be prepared for the budgeted items and cut-off invoices dates for payments to be made.
AoPO - No KPI's and Targets included in the IDP	The adjustment will be made to IDP and submitted.
AOPO: No proof that Council approved the performance management framework and no proof that performance audit committee assessed it for compliance	Going forward the municipality will implement controls to ensure that no procurement will take place without available funds. Budget unit will issue a memo to all business to this effect.
Procurement and contract management: Bid not advertised for the 14 days minimum threshold	The management will in future, for all transactions above R30, 000.00 [VAT included], prepare a motivation to be approved by the Accounting Officer prior to advertisement.
Procurement and contract Management: Total payments above the contract price.	Management to ensure that all invoices relating to multi-year contracts are firstly submitted to SCM for recording, reconciliation and updating contract information in terms of the period, contract amount and budget.
Procurement and contract management: Bid evaluation criteria inconsistently applied - Network Infrastructure Revamp	Management will ensure that in future, specifications committee prepares clear and detailed information that will enable all bidders to quote relevant items for the project in order to make the process fair.
VAT Receivables: VAT Returns not submitted on time	The municipality will ensure that the VAT returns are submitted on time to avoid penalties. The submission of monthly VAT 201 will be done before the 25th or on the 25th of every month. Regular reviews of the VAT 201 will be done monthly.

*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)*

T6.1.1

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Auditor-General Report on Financial Performance 2022/2023	
Status of audit report:	
Annual financial statements: Unqualified with findings Predetermined objectives: Unqualified	
Please refer to the report of the Auditor General below for more details	T6.2.1

COMPONENT B: AUDITOR-GENERAL OPINION 2022-2023 (CURRENT YEAR)

Report of the auditor-general to the Free State Legislature and the council on the Xhariep District Municipality

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

Opinion

1. I have audited the financial statements of the Xhariep District Municipality set out on pages 124 to 190, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Xhariep District Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

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4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

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

Note 32 to the financial statements indicates that the municipality's current liabilities exceeded its current assets by R13 033 413. During the year ended 30 June 2023. In addition, the municipality is unable to pay its creditors' accounts when they fall due, as it takes the municipality more than 200 days to settle. These events or conditions, along with other matters as set forth in note 32, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Unauthorised expenditure

8. As disclosed in note 34 to the financial statements unauthorised expenditure of R6 724 033 (2022: R6 110 077) was incurred, due to overspending of the budget.

Other matter

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

Unaudited disclosure notes

10. In terms of section 125(2) (e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the standards of GRAP and the requirements of

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the MFMA and Dora 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.

12. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE ANNUAL PERFORMANCE REPORT

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
16. I selected the following material performance indicators related to basic services and infrastructure development and spatial and community development presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

- Maintaining and improving the standard of water quality (compliance to SANS 241).
- Ensure that the RRAMS grant is fully utilised by 30 June 2023.

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- Play an oversight role in terms of the implementation of the RRAMS project.
- Ensuring HCRW management compliance in health care facilities.
- Support implementation of disaster management plan.
- Support the implementation of the disaster management plan.
- Environmental health services.
- Water quality monitoring.
- Waste management (NEMWA & HCRW Policy).
- Food monitoring as per R638.
- Water quality monitoring.
- Improve service delivery to communities.
- Environmental health services.
- Disaster management
- Social responsibility.

17. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be

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delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

19. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

20. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

REPORT ON COMPLIANCE WITH LEGISLATION

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently

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detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

27. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

28. Money owed by the municipality was not always paid within 30 days as required by section 65(2) (e) of the MFMA.
29. Reasonable steps were not taken to prevent irregular expenditure amounting to R1 295 649 as disclosed in note 36 to the annual financial statements, as required by section 62(1) (d) of the MFMA. The majority of the irregular expenditure was caused by competitive bids which were not evaluated in accordance with the municipal supply chain management regulations.
30. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R398 286, as disclosed in note 35 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue accounts.
31. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R6 724 033, as disclosed in note 34 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the unauthorised expenditure was caused by expenditure that was not budgeted for and overspending within the votes.

Consequence management

32. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
33. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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34. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

35. The service delivery and budget implementation plan for the year under review was not approved by the mayor within the required 28 days after approval of their budget, as required by section 53(1) (c) (ii) of the MFMA.

OTHER INFORMATION IN THE ANNUAL REPORT

36. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
37. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
38. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
39. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

40. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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41. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
42. Management did not implement adequate controls over daily and monthly processing and reconciling of transactions, resulting in material findings being identified on the annual financial statements that had to be corrected.
43. Leadership did not adequately monitor the implementation of action plans to address matters raised in the prior year, resulting in recurring compliance issues being raised in the current financial year.

Auditor General

Bloemfontein

30 November 2023



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Annexure to the auditor's report

1. The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to

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modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
5. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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1. Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1) (c). 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)

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Legislation	Sections or regulations
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)

Chapter 5

Legislation	Sections or regulations
Managers, 2006	
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)

Chapter 5

GLOSSARY	
Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	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.
Activities	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> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	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.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	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.
Basic municipal service	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.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.

Chapter 5

Financial Statements	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.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	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.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	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".
Outputs	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.
Performance Indicator	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

Chapter 5

	which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	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 EPMS performance standards are divided into indicators and the time factor.
Performance Targets:	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.
Service Delivery Budget Implementation Plan	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.
Vote:	<p>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.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><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></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

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
	FT/PT			%
Clr AM Shasha	FT	Speaker	ANC	100%
Clr.NI Mehlomakulu	FT	Executive Mayor	ANC	100%
Clr NJ Garekoe	FT	Chairperson of Corporate Services Committee	ANC	100%
Clr AM Molai	FT	Budget and Treasury Office	EFF	100%
Clr TI Phatsoane	FT	Chairperson of MPAC	ANC	100%
Clr AJJ Van Rensburg	FT	Planning and Social Development Member	DA	75%
Clr AM Lebaka	PT	Chairperson of Budget and Treasury Committee	ANC	75%
Clr MG Mokheseng	PT	Corporate Services Committee member	ANC	50%
Clr RW Van Wyk	PT	Planning and Social Development Committee member	DA	100%
Clr MV Malgas	PT	Budget and Treasury Committee member	ANC	100%

APPENDICES

Cllr ME Lekoenea	Cllr ME Lekoenea	Cllr ME Lekoenea	Cllr ME Lekoenea	Cllr ME Lekoenea
Cllr AN November	Cllr AN November	Cllr AN November	Cllr AN November	Cllr AN November
Cllr TD Mochechepa	Cllr TD Mochechepa	Cllr TD Mochechepa	Cllr TD Mochechepa	Cllr TD Mochechepa
Cllr MM Potgieter	Cllr MM Potgieter	Cllr MM Potgieter	Cllr MM Potgieter	Cllr MM Potgieter
Cllr S Riddle	Cllr S Riddle	Cllr S Riddle	Cllr S Riddle	Cllr S Riddle
Cllr NA Adoons	Cllr NA Adoons	Cllr NA Adoons	Cllr NA Adoons	Cllr NA Adoons

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

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APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
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
MPAC	Playing an oversight Role over the finances and the administration of the Municipality
	T B

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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)
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	
Building regulations	No	
Child care facilities	Yes	
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	
Storm water 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	Yes	
<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)
Constitution Schedule 5, Part B functions:		
Beaches and amusement facilities	No	

APPENDICES

Billboards and the display of advertisements in public places	No	
Cemeteries, funeral parlours and crematoria	Yes	
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	Yes	
Noise pollution	Yes	
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 2022-2023

THABISO MOKHESI

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2022-2023	Recommendations adopted (enter Yes) If not adopted (provide explanation)
5 March 2023	<ul style="list-style-type: none"> - The Committee has noted commitment of the Municipal Manager that state that: The vacant position of the Internal Auditor has been budgeted for, and it will be filled. Tasked the Director Corporate Services to make a follow up and on the return of the Internal Audit Intern as he still has to attend the MFMP. - FSPT proposed that Municipality write a letter to them requesting a reviewer. - The Committee note that an Annual Internal Plan 2022- 2023 will focus on the mandatory audits. - The Committee resolved that going forward, in the next review of the strategic documents there should be a note where changes took place. - The Committee resolved that Audit Committee Charter will be finalized in the next committee meeting. - The Committee resolved to approve the Internal Audit Charter for 2022 – 2023 with no changes. - The Committee has resolved that Internal Audit Methodology has been approved. - The Manager Internal Audit to follow up with AGSA for Methodology and Engagement Letter if there are any changes or not. - The committee resolved to approve the Internal Audit Policies and Procedure Manual for 2022 – 2023 - The committee resolved to approve the Quality Assurance and Improvement Program for 2022 – 2023 - The committee resolved to approve the Combined Assurance Policy Framework for 2022 – 2023 - The Committee resolved that the Progress report will 	

APPENDICES

5 June 2023

be tabled in the next meeting

- The committee resolved that the Risk Management to have its own Committee meetings and Strategic documents be tabled in the next meeting
- Municipality to request the details of the money owed to government garage which is debtor on their books.
- The Committee noted that Mid-Year Assessment Report.
- The Audit Committee Members resolved that the RM Chairperson must submit a Risk Management Report to Accounting Officer (MM) on or before the 7th June 2023.
- The Audit Committee approves the following reports:
 - 1st Quarter Report.
 - Compliance Audit Report.
 - 2nd Quarter Report.
 - 3rd Quarter Report.
- The Committee Members approves the Progress Report on the Internal Audit Activities as of the 5th June 2023.
- The Audit Committee Members noted the progress on the Audit Action Plan and requested the Manager Internal Audit to present a progress report in the next Audit Committee Meeting.
- The Committee Members noted the FMCMM status report and requested that a Report be tabled in the Next Audit Committee Meeting.
- The Audit Committee Members approves the revised Schedule for Audit Committee meetings.
- The Committee Members noted Section 71 Report with Changes, and Requested CFO to ensure that those changes are captured correctly and accurately and CFO to report back to the Audit Committee.
- The Audit Committee resolved that the CFO must present a progress report on the deliberations, discussions regarding the setting of the debts owed

APPENDICES

by KLM to XDM.

Audit Committee was not fully functional for the first and second quarter, Management appointed Audit Committee was appointed on the 25th January 2023.

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APPENDICES

APPENDIX H – LONG TERM CONTRACTS

Long Term Contracts (Largest Contracts Entered into 2022-2023)					
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
Dipabala Consulting Engineers	Rural roads asset management system	02 Sep 2020	30 June 2023	Mr. SL Majenge	6,680,614.50
LQ Technologies	Internet Service Provision	16 Sep 2020	31 Aug 2023	Mr. A. Tyhokolo	1,315,887.35
CCG Systems	Integrated Financial Management Systems and Internal Controls (mSCOA)	Dec 2019	Nov 2022	Mr. T. Matsiliso	6,012,694.00
CCG Systems	AFS and Review of Fixed Assets Register for 21/22	Aug 2022	Dec 2022	Mr. T. Matsiliso	706,790.00
University of the Free State Ground Water Testing	Waste and Drinking Water Analysis	25 Feb 2022	June 2023	Me Portia Mancoe	361,970.00

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Lobamaba Enterprise (PTY)LTD	Network Infrastructure Revamp	25 Feb 2022	April 2022	Mr. A. Tyhokolo	790,420.00
Lobamaba Enterprise (PTY)LTD	Supply and Maintenance of Telephone Systems	25 Feb 2022	Feb 25	Mr. A. Tyhokolo	974,581.00
Kunene Makopo Risk Solutions (PTY) LTD	Insurance Service for the Municipality	01 Mar 2022	Feb 2025	None	545,357.61
					T H.1

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APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Service Provider	Project Name	Contract Amount	Project Status	End User Remarks
CCG Systems	Integrated Financial Management Systems and Internal Controls (mSCOA)	R5,244,082.00	Contract end on 30 November 2022.	Good
University of the Free State (Institute for Ground Studies)	Waste and Drinking Water Analysis	R361,970.00	Contract end on 30 June 2023.	Excellent
Dipabala Consulting Engineers	Rural Roads Asset Management System	R6,680,614.50	Contract end on 30 June 2023.	Good
CCG Systems	Compilation of 2021/2022 Annual Financial Statements and Review of FAR	R706,790.00	Contract end on 30 November 2022.	Good
Lobamaba Enterprise (PTY)LTD	Network Infrastructure Revamp	R790,420.00	In progress	Acceptable
LQ Technologies	Internet Service Provision	R1,315,887.35	Current	Excellent
Lobamaba Enterprise (PTY)LTD	Supply and Maintenance of Telephone Systems	R974,581.00	In progress	Poor
Kunene Makopo Risk Solutions	Insurance Service for the Municipality	R546,357.61	Contract end on 28 February 2023.	Good

APPENDICES

(PTY) LTD				

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APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2021-2022 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	CIlr NI Mehломakulu	Nil
Member of MayCo / Exco		
	MA Lebaka	Nil
	NJ Garekoe	Bond 100%
	TD Mochechepa	Shares and Securities in a company Member of a close corporation Other financial interest in business undertaking
Speaker	AM Shasha	Sentsoeti Development Centre CC R100 000
Councillor	NA Adoons	Employed at Department of Education
	M Mokheseng	Nil
	AN November	SALA Pension Fund 100%
	MV Malgas	Nil
	MA Molai	Nil
	ME Lekoenea	Nil
	AJ van Rensburg	OVK R10 000 BKB R10 000 Shares and securities: BKB R200 000.00 AND CMW, R150 000 Other financial Interest: Rustfontein Boerdery, R20000000.00, Rustfontein Farm R20000000.00,
	RW Van Wyk	Nil
	TI Phatsoane	Remuneration: Xhariep District Municipality(as gazette) Click Photography, Oreilly Photography +_R5000
	MM Potgieter	Remuneration: Letsemeng Local Municipality(As gazetted) Remuneration: Xhariep District Municipality(as gazette)
	J. Riddle	Nicks place(50% shareholder) Nicks Place Owner 2 million Property 2 million Old Mutual 1 million Dummer Trust (Trustee) Old Mutual Pension (R1000 000) Property(1.5 Million)

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Municipal Manager	LY Moletsane	GEPP(pension fund) Erf R40 000(Trompsburg) Residential Property 1.5 million
Chief Financial Officer	PV Litabe	Share Holder: Calaria (PTY) Ltd (50%) Diabo Accountants & Consulting (80%) Property: 1.5 million(Business) Property: 1.3 million(Business) Residential Property: R760, 000
Director: Corporate Services	MA Jafta	Mbuyando Trading CC 30% shares Bethulie Partners(PTY LTD) 15% shares
Director: Planning and Social Development	Vacant	
<p><i>* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ</i></p>		

APPENDICES

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source							R '000
Description	2022-2023	2022-2023			2022-2023 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Agency services							
Transfers recognized - operational	52 628	63,659	69,957	70,979	61 832	61,536	
Other revenue	3 002	906	1,598	1,150	1 639	1 749	
Total Revenue (excluding capital transfers and contributions)	55, 633	(64,564)	69,957	72,129	63,471	63 285	

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

APPENDICES

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	N/A	
<p><i>* 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.</i></p>		

TT

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS



**Xhariep District Municipality
(Registration number DC16)
Annual Financial Statements
for the year ended June 30, 2023**

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Nature of business and principal activities	<p>Xhariep District Municipality is a district municipality performing the function as set out in the constitution (Act no 105 of 1996).</p> <p>Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.</p>
Mayoral committee	
Executive Mayor	Cllr IN Mehlomakulu
Speaker	Cllr AM Shasha
MMC: Corporate Services	Cllr NJ Garekoe
MMC: Planning and Social Development	Cllr TD Mochechepa
MMC: Finance	Cllr MA Lebaka
Councillors	Cllr RW Van Wyk
	Cllr AJ Janse Van Rensburg
	Cllr IS Riddle
	Cllr MV Malgas
	Cllrs TI Phatsoane
	Cllr NA Adoons
	Cllr M Lekoenea
	Cllr MG Mokheseng
	Cllr MA Molai
	Cllr MM Potgieter
	Cllr AN November
Grading of local authority	3
Municipal Manager	LY Moletsane
Chief Finance Officer (CFO)	PV Litabe
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
Auditors	Auditor-General of South Africa

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Index

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

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Cash Flow Statement	131
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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Officer's Responsibilities and Approval

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

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

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

The Municipal Manager acknowledges that she 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 Municipal Manager to meet these responsibilities, the municipality 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 Municipal Manager is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Municipal Manager has reviewed the municipality's cash flow forecast for the year to June 30, 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Municipal Manager is 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 annual financial statements.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:



LY Moletsane
Municipal Manager

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Officer's Report

The Municipal Manager submits her report for the year ended June 30, 2023.

1. Review of activities

Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comments.

2. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus of (6,125,800) and that the municipality's total liabilities exceed its assets by (6,125,800).

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

3. Subsequent events

The Municipal Manager is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5.

The Municipal Manager of the municipality during the year and to the date of this report is as follows:

Name	Nationality
LY Moletsane	South Africa


6. Bankers

The operating account of the municipality remained held with ABSA.

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:



LY Moletsane
Municipal Manager

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
VAT receivable	4	2,392,080	2,682,789
Trade and Other receivables	3	3,477,042	3,435,218
Cash and cash equivalents	2	394,184	226,059
		6,263,306	6,344,066
Non-Current Assets			
Property, plant and equipment	5	9,459,080	10,046,026
Intangible assets	6	2,337	408,195
		9,461,417	10,454,221
Total Assets		15,724,723	16,798,287
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	18,281,330	22,872,175
Payables from non-exchange transactions	8	835,186	835,186
Employee benefit obligation	9	180,162	218,226
Unspent conditional grants and receipts	10	41	-
		19,296,719	23,925,587
Non-Current Liabilities			
Employee benefit obligation	9	2,553,804	2,476,809
Total Liabilities		21,850,523	26,402,396
Net Assets		(6,125,800)	(9,604,109)
Accumulated deficit		(6,125,800)	(9,604,109)
Total Net Assets		(6,125,800)	(9,604,109)

* See Note 40

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
REVENUE			
Revenue from exchange transactions			
Rental of facilities	12	593,702	578,571
Interest received (debtors)	13	760	650,750
Recoveries Income	14	-	839,920
Other income	16	80,198	91,302
Interest received (bank/ investments)	17	475,680	492,502
Gain on disposal of assets and liabilities	15	-	60,000
Actuarial gains	9	431,126	291,760
Total revenue from exchange transactions		1,581,466	3,004,805
Revenue from non-exchange transactions			
Debt Relief (Non-exchange)		1,934,962	-
Transfer revenue			
Government grants & subsidies	18	64,701,960	52,182,001
Financial Assistance in kind	19	4,263,429	1,639,347
LG SETA Income		78,781	31,591
Total revenue from non-exchange transactions		70,979,132	53,852,939
Total revenue	11	72,560,598	56,857,744
EXPENDITURE			
Employee related costs	20	(46,409,661)	(45,119,524)
Remuneration of councillors	21	(4,786,525)	(4,302,942)
Depreciation and amortisation	22	(1,605,873)	(1,763,620)
Impairment of assets	23	-	(9,465)
Finance costs	24	(734,005)	(347,319)
Debt Impairment	26	347,053	(5,406,407)
Contracted services	28	(4,684,561)	(1,939,037)
Loss on disposal of assets and liabilities		(49,701)	-
General Expenses	27	(11,159,018)	(11,137,134)
Total expenditure		(69,082,291)	(70,025,448)
Surplus (deficit) for the year		3,478,307	(13,167,704)

* See Note 40

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2021	3,563,595	3,563,595
Changes in net assets		
Deficit for the year	(13,167,704)	(13,167,704)
Total changes	(13,167,704)	(13,167,704)
Opening balance as previously reported	(10,896,332)	(10,896,332)
Adjustments		
Prior year adjustments 40	1,292,225	1,292,225
Restated* Balance at July 1, 2022 as restated*	(9,604,107)	(9,604,107)
Changes in net assets		
Deficit for the year	3,478,307	3,478,307
Total changes	3,478,307	3,478,307
Balance at June 30, 2023	(6,125,800)	(6,125,800)

Note(s)

* See Note 40

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		7,547,010	181,144
Grants and subsidies		64,702,001	52,182,000
Interest income		476,440	492,502
LG SETA receipts		-	31,591
		<u>72,725,451</u>	<u>52,887,237</u>
Payments			
Employee costs		(51,246,502)	(49,378,118)
Suppliers		(19,914,047)	(9,388,703)
Finance costs		(734,005)	(245,927)
		<u>(71,894,554)</u>	<u>(59,012,748)</u>
Net cash flows from operating activities	29	<u>830,897</u>	<u>(6,125,511)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(860,266)	(1,011,724)
Proceeds from sale of property, plant and equipment	5	201,000	-
Purchase of other intangible assets	6	(3,506)	-
		<u>(662,772)</u>	<u>(1,011,724)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Finance lease payments		-	33,777
			<u>33,777</u>
Net increase/(decrease) in cash and cash equivalents		<u>168,125</u>	<u>(7,103,458)</u>
Cash and cash equivalents at the beginning of the year		226,059	7,329,517
Cash and cash equivalents at the end of the year	2	<u>394,184</u>	<u>226,059</u>

* See Note 40

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	158,000	596,356	754,356	593,702	(160,654)	1
Interest received (trading)	-	-	-	760	760	2
Other income	92,500	96,000	188,500	80,198	(108,302)	4
Interest received - investment	655,000	-	655,000	475,680	(179,320)	5
Total revenue from exchange transactions	905,500	692,356	1,597,856	1,150,340	(447,516)	
Revenue from non-exchange transactions						
Debt Relief (Non-exchange)	-	-	-	1,934,962	1,934,962	
Transfer revenue						
Government grants & subsidies	63,556,000	4,700,478	68,256,478	64,701,960	(3,554,518)	6
Financial Assistance	-	-	-	4,263,429	4,263,429	
LG SETA Income	102,900	-	102,900	78,781	(24,119)	7
Total revenue from non-exchange transactions	63,658,900	4,700,478	68,359,378	70,979,132	2,619,754	
Total revenue	64,564,400	5,392,834	69,957,234	72,129,472	2,172,238	
Expenditure						
Employee Related Costs	(47,107,000)	1,434,000	(45,673,000)	(46,409,661)	(736,661)	8
Remuneration of councillors	(4,105,000)	(640,000)	(4,745,000)	(4,786,525)	(41,525)	9
Depreciation and amortisation	(1,500,000)	-	(1,500,000)	(1,605,873)	(105,873)	10
Finance costs	(35,000)	(235,034)	(270,034)	(734,005)	(463,971)	11
Debt Impairment	-	-	-	347,053	347,053	12
Contracted Services	(6,043,000)	(1,161,643)	(7,204,643)	(4,684,561)	2,520,082	13
General Expenses	(4,629,000)	(4,858,871)	(9,487,871)	(11,159,018)	(1,671,147)	14
Total expenditure	(63,419,000)	(5,461,548)	(68,880,548)	(69,032,590)	(152,042)	
Operating surplus	1,145,400	(68,714)	1,076,686	3,096,882	2,020,196	
Loss on disposal of assets and liabilities	-	-	-	(49,701)	(49,701)	
Actuarial gains/losses	-	-	-	431,126	431,126	15
	-	-	-	381,425	381,425	
Surplus before taxation	1,145,400	(68,714)	1,076,686	3,478,307	2,401,621	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1,145,400	(68,714)	1,076,686	3,478,307	2,401,621	

Xhaxhep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

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						
Statement of Financial Position						
Assets						
Current Assets						
VAT receivable	12,097,000	(10,261,448)	1,835,552	2,392,080	556,528	17
Receivable from exchange transactions	1,651,000	-	1,651,000	3,477,042	1,826,042	18
Cash and cash equivalents	7,229,697	50,545,220	57,774,917	394,184	(57,380,733)	19
	20,977,697	40,283,772	61,261,469	6,263,306	(54,998,163)	
Non-Current Assets						
Property, plant and equipment	8,923,418	(7,971,478)	951,940	9,459,080	8,507,140	20
Intangible assets	4,171,190	-	4,171,190	2,337	(4,168,853)	21
	13,094,608	(7,971,478)	5,123,130	9,461,417	4,338,287	
Total Assets	34,072,305	32,312,294	66,384,599	15,724,723	(50,659,876)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(63,989,579)	49,449,630	(14,539,949)	18,281,330	32,821,279	22
Taxes and transfers payable (non-exchange)	-	-	-	835,186	835,186	
Employee benefit obligation	371,984	-	371,984	180,162	(191,822)	24
Unspent conditional grants and receipts	-	-	-	41	41	
	(63,617,595)	49,449,630	(14,167,965)	19,296,719	33,464,684	
Non-Current Liabilities						
Employee benefit obligation	2,284,939	-	2,284,939	2,553,804	268,865	24
Total Liabilities	(61,332,656)	49,449,630	(11,883,026)	21,850,523	33,733,549	
Net Assets	95,404,961	(17,137,336)	78,267,625	(6,125,800)	(84,393,425)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	95,554,953	(26,806,717)	68,748,236	(6,125,799)	(74,874,035)	25

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

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
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Payments

Employee costs and Suppliers	(63,990,000)	52,689,809	(11,300,191)	(71,160,549)	(59,860,358)	28
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Cash flows from financing activities

Finance lease payments	-	-	-	-	-	
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Net increase/(decrease) in cash and cash equivalents	(63,990,000)	52,689,809	(11,300,191)	(71,160,549)	(59,860,358)	
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Cash and cash equivalents at the beginning of the year	10,371,000	-	10,371,000	-	(10,371,000)	
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Cash and cash equivalents at the end of the year	(53,619,000)	52,689,809	(929,191)	(71,160,549)	(70,231,358)	
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The accounting policies on pages 12 to 33 and the notes on pages 34 to 67 form an integral part of the annual financial statements.

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments 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 municipality 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, held to maturity investments 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.

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Useful lives and residual values

The municipality's management determine the useful lives and related depreciation changes 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 Award

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, future inflation, salary inflation, net discount rate and assumed retirement age.

Any changes in these assumption will impact on the carrying amount of long service bonus obligations

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

Leave and Bonus Accrual

The municipality used the leave and bonus paid date to estimate the provisions respectively

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment 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.

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25-30 years
Security system	Straight-line	5-10 years
Plant and machinery	Straight-line	3-15 years
Furniture and fixtures	Straight-line	3-15 years
Motor vehicles	Straight-line	4-7 years
Office equipment	Straight-line	5-10 years
IT equipment	Straight-line	3-10 years
Finance leased assets	Straight-line	The shorter of asset's useful life or the lease term

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

No item of property, plant and equipment are pledged as security for liabilities.

1.6 Intangible assets

Intangible assets are non current asset that are held for use in the production or supply of goods or services, rental to other or for administrative purposes and are expected to be used during more than one period.

An asset is identifiable if it either:

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

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

Intangible assets are 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 its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Financial instruments

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

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 municipality 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 municipality'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 municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Financial instruments (continued)

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 municipality 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 municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality'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 municipality.

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transaction	Financial liability measured at amortised cost
Taxes and transfers payable (non-exchange) - Unspent	Financial liability measured at amortised cost
Grant liability	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost

The entity classifies financial assets and financial liabilities into the following categories:

- Held to maturity investments.
- Loans and receivables.
- Available for sale financial assets.
- Financial liabilities measured at amortised.

Classification depends on the purpose for which the financial instrument were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category:

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

The municipality classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investment for which a fair value is not determinable, which are measured at cost and are classified as available-for sale financial assets.

For financial instruments which are at fair value through surplus or deficit, transaction cost are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

Loans and receivable are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investment are subsequently measured at amortised cost. Using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This equity investment for which a fair value is not determinable, which is measured at cost less accumulated impairment losses.

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1.7 Financial instruments (continued)

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets is calculated using the effective interest method is recognised as surplus or deficit as part of other income. Dividends or similar distribution received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for sale financial asset denominated in foreign currency are analysed between translation difference resulting from changes in amortised cost and other changes in carrying amount. Translation difference on monetary items are recognised in surplus or deficit while translation difference on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value measurement considerations

The fair value of a quoted investment is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These includes the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on municipality-specific inputs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

A gain or loss on a financial asset or financial liability classified as a fair value through surplus or deficit is recognised in surplus or deficit.

A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net asset, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net asset is recognised in surplus or deficit: and

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liabilities is derecognised or impaired, and through the amortisation process

Impairment of financial assets

At each of the reporting period the municipality assess all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payment are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged declined in the fair value of the security below its cost is considered an indicator or impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised as surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised as surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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Accounting Policies

1.7 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivable from exchange transactions

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised as surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payable from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivable.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

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1.7 Financial instruments (continued)

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.9 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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1.10 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.10 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 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 recognises 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 municipality recognises 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 municipality measures 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 recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

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Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

The municipality contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees unless another standard requires or permits the inclusion of contribution in the cost of an asset. Prepaid contribution are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Payments to defined contribution retirement benefit plan are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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1.12 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.

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the 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 surplus.

If the municipality 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 an 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.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
 - Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
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Accounting Policies

1.14 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 municipality 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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 revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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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1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised 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
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

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

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 municipality. 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.

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

When government remit grants on a re-imburement 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

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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.

1.16 Investment income

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

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were in the notes to the financial statement as required by the MFMA.

1.20 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 unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were in the notes to the financial statement as required by the MFMA. Additional text.

1.21 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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Accounting Policies

1.21 Irregular expenditure (continued)

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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosure were made in the notes to the financial statement as required by the MFMA.

1.22 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.23 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 approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2022 to 6/30/2023.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual 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 annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

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Accounting Policies

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

Only transaction with related parties not at arm's length or not in ordinary course of business are disclosed.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Use of Estimates

The preparation of annual financial statement in conformity with Standards of GRAP required 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 involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statement are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and action they may undertake in the future, actual result ultimately may differ from those estimates.

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Accounting Policies

1.27 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses include:

Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Repairs and maintenance - inclusive of repairs and maintenance to buildings, motor vehicles;

Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.

Transfers and grants which relate to expenditure pertaining to free basic services; and

General expenses which constitute several expense items which are not individually significant.

Employee cost - relating to cost associated with employee contracts.

Depreciation - Cost associated with the amortisation of property, plant and equipment..

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2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	44	44
Bank balances	155,490	116,689
Short-term deposits	238,650	109,326
Total	394,184	226,059

Cash and cash equivalents pledged as collateral

None of the cash has been pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
ABSA - Cheque Account - 4053628182	155,489	116,689	1,105,956	155,489	116,689	1,105,956
ABSA - Call Account - 9309672913	6,594	6,352	1,444,058	6,594	6,352	1,444,058
ABSA - Invest Tracker - 9358190966	125,998	3,427	4,683,367	125,998	3,427	4,683,367
Nedbank - Call Deposit - 03/7662022528/000016	105,978	99,548	96,051	105,978	99,548	96,051
Total	394,059	226,016	7,329,432	394,059	226,016	7,329,432

3. Trade and Other receivables

Gross balances

Trade Debtors	7,192,229	8,539,376
Prepaid expenses	2,047,944	2,088,151
Other debtors	1,945,206	863,081
Total	11,185,379	11,490,608

Less: Allowance for impairment

Trade Debtors	(6,868,417)	(7,215,470)
Other debtors	(839,920)	(839,920)
Total	(7,708,337)	(8,055,390)

Net balance

Trade Debtors	323,812	1,323,906
Prepaid expenses	2,047,944	2,088,151
Other debtors	1,105,286	23,161
Total	3,477,042	3,435,218

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3. Trade and Other receivables (continued)

Other (specify)

Current (0 -30 days)	2,935,630	806,791
31 - 60 days	-	76,686
61 - 90 days	300	33,521
91 - 120 days	-	40,947
121 - 365 days	-	144,101
> 365 days	4,256,299	7,437,330
	7,192,229	8,539,376

Summary of debtors by customer classification

Industrial/ commercial

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	300	-
121 - 365 days	-	-
> 365 days	240,000	240,000
	240,300	240,000
Less: Allowance for impairment	(240,000)	(240,000)
	300	-

National and provincial government

Current (0 -30 days)	2,935,630	806,791
31 - 60 days	-	76,686
61 - 90 days	-	33,521
91 - 120 days	-	40,947
121 - 365 days	-	144,101
> 365 days	4,016,299	7,197,329
	6,951,929	8,299,375
Less: Allowance for impairment	(6,628,417)	(6,975,469)
	323,512	1,323,906

Total

Current (0 -30 days)	2,935,630	806,791
31 - 60 days	-	76,686
61 - 90 days	300	33,521
91 - 120 days	-	40,947
121 - 365 days	-	144,101
> 365 days	4,256,299	7,437,330
	7,192,229	8,539,376
Less: Allowance for impairment	(6,868,417)	(7,215,470)
	323,812	1,323,906

Total debtor past due but not impaired

Current (0 -30 days)	-	13,154
31 - 60 days	-	-
61 - 90 days	300	-
121 - 365 days	-	-
> 365 days	-	78,190
	300	91,344

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3. Trade and Other receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(8,055,390)	(2,658,406)
Contributions to allowance	347,053	(5,396,984)
	<u>(7,708,337)</u>	<u>(8,055,390)</u>

Trade debtors pledged as security

None of the debtors were pledged as security during the current year.

4. VAT receivable

VAT	2,392,080	2,682,789
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VAT is a statutory receivable. The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

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Notes to the Annual Financial Statements

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5. Property, plant and equipment

	2023				2022				
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16,788,895	(9,815,759)	6,973,136	16,788,895	(9,256,129)	7,532,766	16,788,895	(9,256,129)	7,532,766
Plant and machinery	2,732,528	(2,732,508)	20	2,732,528	(2,688,809)	43,719	2,732,528	(2,688,809)	43,719
Furniture and Office Equipment	5,124,647	(4,762,389)	362,258	5,106,637	(4,641,152)	465,485	5,106,637	(4,641,152)	465,485
Motor vehicles	1,986,687	(818,604)	1,168,083	2,129,662	(1,089,634)	1,040,028	2,129,662	(1,089,634)	1,040,028
IT equipment	2,991,042	(2,035,459)	955,583	2,786,958	(1,822,930)	964,028	2,786,958	(1,822,930)	964,028
Total	29,623,799	(20,164,719)	9,459,080	29,544,680	(19,498,654)	10,046,026	29,544,680	(19,498,654)	10,046,026

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	7,532,766	-	-	(559,630)	-	6,973,136
Plant and machinery	43,719	-	-	(43,699)	-	20
Furniture and Office Equipment	465,485	18,011	-	(107,346)	(13,892)	362,258
Motor vehicles	1,040,028	638,171	(250,791)	(259,325)	-	1,168,083
IT equipment	964,028	204,084	-	(201,354)	(11,175)	955,583
Total	10,046,026	860,266	(250,791)	(1,171,354)	(25,067)	9,459,080

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	8,091,496	-	(558,730)	-	7,532,766
Plant and machinery	174,193	-	(130,474)	-	43,719
Furniture and Office Equipment	678,394	9,413	(216,914)	(5,408)	465,485
Motor vehicles	670,319	613,366	(243,657)	-	1,040,028
IT equipment	784,787	388,945	(205,648)	(4,056)	964,028
	10,399,189	1,011,724	(1,355,423)	(9,464)	10,046,026

Pledged as security

There are no assets pledged as security.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment

included in Statement of Financial Performance

General expenses 147,245

348,184

Change in estimate

Various movable assets and infrastructure assets with original remaining useful lives varying between 1-30 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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6. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	2,440,568	(2,438,231)	2,337	2,437,062	(2,028,867)	408,195

Reconciliation of intangible assets - 2023

Computer Software	Opening balance 408,195	Additions	3,506	Amortisation	(409,364)	Total	2,33
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Reconciliation of intangible assets - 2022

Computer software	Opening balance 816,390	Amortisation	(408,195)	Total	408,19
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Xhariep District Municipality

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7. Payables from exchange transactions

Trade payables	6,619,468	10,565,556
COIDA	3,973,306	3,314,834
Auditor General South Africa	437,480	1,302,159
Sundry Creditors	340,943	259,121
Bonus Accrual	995,283	1,090,628
Leave pay Accrual	4,036,754	4,492,153
Third party payables	1,878,096	1,847,724
	18,281,330	22,872,175

8. Payables from non-exchange transactions

Payables from non-exchange transactions	835,186	835,186
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Below is the details of the unspent grants payable: which is payable:

Mangaung Metro Motheo grant of R 711 416

COGTA - Provincial Infrastructure Grant (PIG) of R87 689.80

Thetha Grant of R 36 080

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9. Employee benefit obligations

Defined benefit plan

The long service award liability arises from Xhariep District Municipality being a party to the collective agreement on condition of service for the Free State Division of SALGA. This agreement is effective from 1 July 2010.

Xhariep District Municipality has a policy to provide long service awards to employees who have been in service of the municipality for a certain period of time. The municipality offers bonuses for every 5 years of completed service from 5 years to 45 years.

The long service awards plan is a defined benefit plan. At period end 59 employees were eligible for the long service bonuses.

The Long Service Award valuation was conducted as at 30 June 2023.

The current service cost for the year is estimated to be R267 415 (30 June 2022: R293 539) whereas the interest cost for the ensuring year is estimated to be R332 808 (30 June 2022: R238 033).

Reconciliation of unfunded obligation

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2,695,035	2,656,923
Present value of the defined benefit obligation-partly or wholly funded	267,415	293,539
Fair value of plan assets	(140,415)	(201,700)
Fair value of reimbursement rights	332,808	238,033
Other [provide details]	(420,877)	(291,760)
	2,733,966	2,695,035
Non-current liabilities	(2,553,804)	(2,476,809)
Current liabilities	(180,162)	(218,226)
	(2,733,966)	(2,695,035)

The expected value of each employee's long service awards is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The average leave has been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days year per year and therefore the benefits awarded can be expressed as follows:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1,281,264	1,243,152
Net expense recognised in the statement of financial performance	28,682	38,112
	1,309,946	1,281,264

Net expense recognised in the statement of financial performance

Current service cost	267,415	293,539
Interest cost	332,808	238,033
Actuarial (gains) losses	(431,126)	(291,760)
Settlement	(140,415)	(201,700)
	28,682	38,112

Key assumptions used

Assumptions used at the reporting date:

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Employee benefit obligations (continued)		
Discount rates used	13.20 %	12.07 %
Medical cost trend rates	7.73 %	7.63 %
Expected increase in salaries	8.73 %	8.63 %
Expected pension increases	4.11 %	3.17 %

Discount rate assumption

The discount rate reflects the estimated timing of benefit payments.

The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the nominal yield curve for zero-coupon SA Government bonds with an average duration between 10 and 15 years as at 30 June 2023. The resultant discount rate was 12.07%. The source is the Johannesburg Stock Exchange through IRESS data services.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

We have estimated the market's pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an average of 10 to 15 year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 7.73% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future salary inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 8.73% per annum.

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 4.11% per annum (derived from a discount rate of 13.20% and the expected salary inflation rate of 8.73%).

The implied net discount rate was 3.17% at the previous valuation.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 3.17% per annum (derived from a discount rate of 12.07% and the expected salary inflation rate of 8.63%).

The implied net discount rate was 2.11% at the previous valuation.

Demographic valuation assumptions

We have retained the demographic assumptions used in the previous year's valuation.

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with the SA85-90 table, which is a table reflecting mortality experience in South Africa. This assumption is consistent with that of the previous valuation.

Withdrawal rates

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9. Employee benefit obligations (continued)

The table below used reflect the rates of withdrawal used to value the liabilities for both males and females:

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3,145,190	2,407,287
Effect on defined benefit obligation	2,403,271	3,134,893

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	2,733,966	2,695,035	2,656,923	2,076,529	2,032,277

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Rural Roads Asset Management Systems	41	-
Financial Management Grant (FMG)	-	-
Expanded Public Works Programme (EPWP)	-	-
	41	-

Movement during the year

Additions during the year	6,284,960	4,990,000
Income recognition during the year	(6,284,919)	(4,990,000)
	41	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 18 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand	2023	2022
11. Revenue		
Rental of facilities and equipment	593,702	578,571
Interest received	760	650,750
Actuarial gains/ (losses)	431,126	-
Recoveries	-	839,920
Other income	80,198	91,302
Gain or loss on disposal of assets and liabilities	(49,701)	60,000
Interest received - investment	475,680	492,502
Government grants & subsidies	64,701,960	52,182,001
Financial Assistance	4,263,429	1,639,347
LGSETA	78,781	31,591
	70,575,935	56,565,984

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

Rental of facilities and equipment	593,702	578,571
Interest received	760	650,750
Recoveries	-	839,920
Actuarial gains/ (losses)	431,126	-
Other income	80,198	91,302
Interest received	475,680	492,502
	1,581,466	2,653,045

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

Taxation revenue		
Licences or permits	1,934,962	-
Transfer revenue		
Government grants & subsidies	64,701,960	52,182,001
Financial Assistance	4,263,429	1,639,347
LGSETA Income	78,781	31,591
	70,979,132	53,852,939

12. Rental of facilities and equipment

Premises

Rental income	593,702	578,571
	593,702	578,571

The amounts emanates from the rental of a section of the building to Kopanong Local Municipality R (2022: R427 266) and the Free State Gambling Board R (2022: R151 305)

13. Interest received (debtors)

Interest received receivables	760	650,750
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The interest on debtors is mainly from Kopanong Local Municipality debt. The local municipality has not been paying for rental and their portion for service charges for the past years.

14. Recoveries Income

Creditors recovered/ written off	-	839,920
Other income	80,198	91,302
	80,198	931,222

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Figures in Rand	2023	2022
15. Gains or losses on disposal of assets		
Gains on disposal of property, plant and equipment	(49,701)	60,000
16. Other income		
Bylaw certificates Income	21,531	27,861
Parking fee income	57,667	61,463
Tender documents	1,000	1,978
	80,198	91,302
17. Interest received (bank/ investments)		
Interest revenue		
Bank	12,099	1,647
Interest received (Investments)	463,581	490,855
	475,680	492,502

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18. Government grants & subsidies

Operating grants

Equitable share	49,161,000	47,192,000
Provincial Financial Assistance Grant	9,256,000	-
Expanded Public Works Programme	1,120,000	1,144,000
Rural Roads Asset Management Systems	3,444,960	2,196,001
Financial Management Grant	1,720,000	1,650,000
	<u>64,701,960</u>	<u>52,182,001</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	6,284,960	4,990,000
Unconditional grants received	58,417,000	47,192,000
	<u>64,701,960</u>	<u>52,182,000</u>

Equitable Share

The grant is intended to subsidise the municipality while excluding both strategic and operational responsibilities.

Financial Management Grant

Current-year receipts	1,720,000	1,650,000
Conditions met - transferred to revenue	(1,720,000)	(1,650,000)
	<u>-</u>	<u>-</u>

Conditions have been met - no liabilities recognised (see note 10).

The purpose of the grant is to assist municipalities in building in house capacity, promote and support reform to financial management and implementation of the Municipal Financial Management Act (MFMA) 56 of 2003.

Expanded Public Works Programme

Current-year receipts	1,120,000	(1,144,000)
Conditions met - transferred to revenue	(1,120,000)	1,144,000
	<u>-</u>	<u>-</u>

Conditions have been met - no liabilities recognised (see note 10).

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

Rural Road Asset Management

Balance unspent at beginning of year	-	(1,224,674)
Current-year receipts	3,445,000	2,196,000
Conditions met - transferred to revenue	(3,444,960)	(971,326)
	<u>40</u>	<u>-</u>

Partial conditions have been met - liabilities recognised (see note 10).

The purpose of this grant is to assist the municipality monitor the conditions of the municipal roads.

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18. Government grants & subsidies (continued)

The unspent amount relates to the amount paid to the service provider, which could not be fully verified. The municipality has raised a debtor for the overpayment and a committee comprising independent members will be setup to investigate the work performed by the service provider. The unspent amount is not cash backed as it has been paid to the supplier.

Provincial Financial Assistance Grant

Current-year receipts	9,256,000	-
Conditions met - transferred to revenue	(9,256,000)	-
	<u>-</u>	<u>-</u>

The grant is not a conditional grant and the funds are to assist the municipality with operational expenditure.

Disaster Management - (COVID Related Grant)

Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	-	-
	<u>-</u>	<u>-</u>

Conditions have been met - no liabilities recognised (see note 10).

The grant is intended to assist the municipality with Covid related costs to enhance the health and safety.

19. Financial Assistance in kind

Financial Assistance	<u>4,263,429</u>	<u>1,639,347</u>
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The Financial Assistance relates to the direct payment of audit fees to the Auditor General by Provincial Government on behalf of Xhariep District Municipality.

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Figures in Rand	2023	2022
20. Employee related costs		
Basic	30,950,902	30,729,582
Bonus	2,084,914	1,907,458
Medical aid - company contributions	2,394,700	2,269,556
UIF	168,175	166,226
SDL	380,054	375,170
SALGBC	9,839	9,546
Leave pay	661,704	79,531
Long-service awards	267,451	330,636
Acting allowances	345,253	515,248
Car allowance	3,415,177	3,557,737
Housing benefits and allowances	338,760	379,131
Cellular and Telephone	253,792	286,656
Pension	5,138,940	4,513,047
	46,409,661	45,119,524

Remuneration of Municipal Manager (Ms. Moletsane LY)

Annual Remuneration	633,490	1,270,198
Car Allowance	105,000	180,000
Performance Bonuses	97,011	105,995
Contributions to UIF, Medical and Pension Funds	102,217	73,787
Other - Home Owners Allowance	8,000	96,000
Other - Non Pensionable Allowance and Leave Pay	466,813	3,850
	1,412,531	1,729,830

The Municipal Manager's contract expired on 31 July 2022.

The Municipal Manager was re-appointed from the 1st of December 2022

Remuneration of Chief Finance Officer (Mr. P.V. Litabe)

Annual Remuneration	1,024,150	1,028,141
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	258,145	253,494
Non Pensionable Allowance	20,340	13,800
Cellphone Allowance	9,600	14,291
Acting Allowance	61,876	-
	1,494,111	1,429,726

The Chief Financial Officer was appointed as Acting Municipal Manager from 01 August 2022 to 31 October 2022.

Remuneration of Acting Director: Planning and Social Development (Mrs. Kheswa)

Acting Allowance	100,814	-
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Acting period - 1 August 2022 to 31 October 2022

The acting allowance which relates to the Director is disclosed and not the remuneration as per their original position

Remuneration of Acting Chief Financial Officer (Mr. S.J. Matobako)

Acting Allowance	64,171	-
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Acting period - 1 August 2022 to 31 October 2022

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20. Employee related costs (continued)

The acting allowance which relates to the Director is disclosed and not the remuneration as per their original position

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20. Employee related costs (continued)

Remuneration of Executive Director: Planning and Development Services (Mr. M.S. Mohale)

Annual Remuneration	95,511	1,146,834
Car Allowance	9,243	110,911
Performance Bonuses	87,591	95,676
Contributions to UIF, Medical and Pension Funds	9,383	60,408
Leave Pay	349,148	3,850
	550,876	1,417,679

Contract ended 31 July 2022.

Remuneration of Executive Director: Corporate (Mr. M.A. Jafta)

Annual Remuneration	810,787	-
Car Allowance	30,000	-
Contributions to UIF, Medical and Pension Funds	46,322	-
	887,109	-

21. Remuneration of councillors

Executive Mayor	952,092	898,423
Speaker	769,372	724,813
Mayoral Committee Members	1,477,525	1,379,268
Councillors	1,587,536	1,300,438
	4,786,525	4,302,942

22. Depreciation and amortisation

Property, plant and equipment	1,196,509	1,355,425
Intangible assets	409,364	408,195
	1,605,873	1,763,620

23. Impairment of assets

Impairments

Property, plant and equipment

- 9,465

The impairment loss mainly relates to the old, broken, damaged and not in use assets which no further economic benefits is expected in the future.. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]

The main classes of assets affected by impairment losses are:

Computer Equipment - R 4 055

Furniture and Equipment - R 5 408

The main events and circumstances that led to the reversals of these impairment losses are as follows:

The assets are old, broken, damaged and not working.

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24. Finance costs		
Interest charges	348,454	345,690
Bank charges	385,551	1,629
	734,005	347,319
25. Auditors' remuneration		
Fees	4,371,177	3,174,919
26. Debt impairment and bad debts written off		
Debt impairment	(347,053)	5,406,407
27. General expenses		
Advertising	23,400	223,500
Auditors remuneration	4,371,177	3,174,919
Bank charges	55,714	42,864
Consulting and professional fees	928,150	933,759
Consumables	159,109	22,438
Entertainment	48,373	98,412
Fines and penalties	-	57,740
Conferences and seminars	52,945	31,493
Motor vehicle expenses	2,000	5,072
Fuel and oil	583,692	417,442
Postage and courier	-	35
Printing and stationery	75,064	375,415
Protective clothing and uniform	-	105,248
Repairs and maintenance	147,245	348,184
Software expenses - licenses	-	667,197
Staff welfare	130,584	-
Subscriptions and membership fees	-	9,248
Telephone, data and fax	593,473	312,139
Training and staff bursaries	95,909	217,144
Travel - local	935,610	968,073
Utilities	-	911,303
Accommodation	404,858	527,586
Disaster Management and Health and Hygiene	-	90,991
Settlement costs	-	372,237
SALGA	555,172	550,971
COIDA	1,075,667	541,946
Other expenses	920,876	131,778
	11,159,018	11,137,134
28. Contracted services		
Presented previously		
Specialist Services - RRAMS, IT Services	3,739,018	1,114,870
Other Contractors - Mscoa, Water Testing	945,543	824,167
	4,684,561	1,939,037

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29. Cash generated from (used in) operations		
Surplus (deficit)	3,478,307	(13,167,704)
Adjustments for:		
Depreciation and amortisation	1,605,873	1,763,620
Profit on sale of assets and liabilities	49,701	(60,000)
Actuarial gains/loss	(431,124)	-
Finance costs	-	26,224
Impairment loss	-	9,465
Debt impairment & bad debts write off	(347,053)	5,406,407
Movements in retirement benefit assets and liabilities	470,057	38,112
Changes in working capital:		
Inventories	-	22,438
Receivables	305,229	(4,397,780)
Payables from exchange transactions	(4,590,843)	2,833,863
VAT	290,709	564,658
Taxes and transfers payable (non-exchange)	-	835,186
Unspent conditional grants and receipts	41	-
	830,897	(6,125,511)

30. Contingencies

Contingent liabilities

30 June 2023

Xhariep District Municipality// Khumo Solutions relates to a warrant of Execution stage cost to the approximate value of R500 000

30 June 2022

SAMWU obo Tefo Alfred Lebaka/ Xhariep District Municipality relates to a claim in terms of the Basic Employment Equity Act. Should the action be successful, the municipality will be liable to cover litigation cost to the approximate value of R 150 000.00.

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31. Related parties

Relationships

Accounting Officer

Compensation to key management

Compensation to Councillors

Refer to accounting officers' report note

Refer to employee related cost note 20

Refer to note 21, General information and below

Remuneration of Council

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31. Related parties (continued)

Management class: Councillors

2023

Name	Basic salary	Medical	Pension	Travel Allowance	Telephone Allowance	Other benefits received	Total
Executive Mayor	793,711	106,654	-	-	40,800	10,927	952,092
Speaker	719,454	-	-	-	40,800	9,118	769,372
Mayoral committee members	1,417,869	-	-	-	40,800	18,856	1,477,525
Other Councillors	1,367,715	-	43,299	-	122,400	29,354	1,562,768
	4,298,749	106,654	43,299	-	244,800	68,255	4,761,757

2022

Name	Basic salary	Medical	Pension	Travel Allowance	Telephone Allowance	Other benefits received	Total
Executive Mayor	722,712	118,567	-	-	48,250	8,895	898,424
Speaker	669,031	-	-	-	48,600	7,182	724,813
Mayoral Committee Members	1,277,674	-	-	24,000	63,970	13,624	1,379,268
Other Councillors	1,026,591	-	41,005	-	220,597	12,244	1,300,437
	3,696,008	118,567	41,005	24,000	381,417	41,945	4,302,942

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32. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus of 3,370,306 and that the municipality's total liabilities exceed its assets by (6,125,800).

The municipality notes that the current liabilities as at 30 June 2023 R 19,296,719 exceeds the current assets R 6,263,306 by R 13,033,413. This is mainly due to cashflow problems which ends up with creditors not being paid when due. The municipality mainly relies on funding from the Government grants and an increase on Provincial Assisatnce Grant has been noted which has significantly impacted the municipality's financial standing. The municipality has put in place measures to ensure that the municipality is able to pay its short term debts on time.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Municipal Manager continue to procure funding for the ongoing operations for the municipality.

The municipality had a surplus for the period ending 30 June 2023 amounting to R 3,478,307 and as compared to the previous financial year loss of R (13,167,704).

The municipality mainly relies on the funding from National and Provincial Government Grants on its day-to-day operations.

The funding for the municipality is likely to continue as per the approved budget for the 2022/2023 financial year by Council. The approved budget has been assessed and approved by Treasury.

Management assessed the revenue streams and notes that the trading revenue accounts for 5% and Grant accounts for 95% of the total revenue.

The major debtors were assessed and noted that they were already in financial difficulties before the pandemic and have been impaired.

The municipality is highly reliant on the grants and if these are significantly reduced, will have impact on the municipality's going concern. However, no intention to significantly reduced the grants has been noted and no further intention to close or scale down the municipality has been noted from the National and Provincial Government. But a major reduction has been noted on the funding from COGTA in the last three years which has significantly impacted the municipality's financial standing in having consecutive losses. The COGTA grant was reduced from R21million (2018/19); R16million (2019/20); R9 million (2020/21) and R0 million (2021/22) and R9 million (2022/23).

The ability of the municipality to continue as a going concern is dependent on the fact that most of the municipality's funding is from grant funding which is guaranteed to be received as allocated in the Division of Revenue Act (DORA) and Provincial Gazette. This funding is expected to slightly increase in the next financial year as shown in the DORA and this will assist the municipality in incurring what we budget properly in our expenditures.

Based on the above assessment, the municipality incurred a consecutive net loss of R 3,478,307 during the year ended 30 June 2022 and, as of that date, the municipality's current liabilities exceeded its current assets by R 13,033,413. The municipality is unable to pay its creditors' accounts when they fall due, as it takes the municipality more than 200 days to settle creditors. The total liabilities exceeded its total assets by R (6,125,800) which means the municipality is insolvent. These events or conditions, along with other matters as set forth above, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

33. Events after the reporting date

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

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Figures in Rand	2023	2022
34. Unauthorised expenditure		
Opening balance as previously reported	30,851,530	24,741,453
Add: Unauthorised expenditure - current	6,724,033	6,110,077
Less: Amount authorised - Prior	(2,502,820)	-
Closing balance	35,072,743	30,851,530

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	1,767,379
Cash	6,724,033	4,342,698
	6,724,033	6,110,077

Analysed as follows: non-cash

Depreciation and amortisation	-	1,640,404
Provision of impairment	-	126,975
	-	1,767,379

Analysed as follows: cash

General expenditure	3,216,046	4,017,009
Employee related costs	3,044,017	-
Finance cost	463,970	325,689
	6,724,033	4,342,698

35. Fruitless and wasteful expenditure

Opening balance as previously reported	2,119,761	1,935,773
Add: Fruitless and wasteful expenditure identified - current	398,286	183,988
Less: Amount written off - current	(125,718)	-
Closing balance	2,392,329	2,119,761

Fruitless and wasteful expenditure is presented inclusive of VAT

36. Irregular expenditure

Opening balance as previously reported	51,468,167	48,113,674
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	1,295,694	3,354,493
Closing balance	52,763,861	51,468,167

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36. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Tender process not followed as required by SCM policy	Disciplinary steps taken/criminal proceedings to be investigated	648,516	1,825,537
Insufficient quotations obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	-	214,485
Overpayment of Section 56/57 Managers (Salaries above the municipality regulated threshold)	The expenditure was identified during the current financial year and still need to be investigated	412,019	1,314,471
Non-application of the 80/20 Preference Points System	The expenditure was identified during the current financial year and still need to be investigated	235,158	-
		1,295,693	3,354,493

Details of irregular expenditure under assessment (not included in the main note)

The expenditure incurred in the current year relating to the tender will be assessed to determine if there was any non compliance with laws and regulation

Note

The irregular expenditure is disclosed inclusive of Value Added Tax (VAT). National Treasury issued an updated Circular 68 regarding the compulsory disclosure of irregular expenditure in the annual financial statements including VAT. The application is prospective with an adjustment on the opening balance.

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37. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy, of which amounted to R532 892 - 30 June 2023 (30 June 2022: R 366 288).

The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Reasons for deviation

Sole supplier (9 incidents)

175,656

101,352

Impractical or impossible (23 incidents)

357,236

264,936

532,892

366,288

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38. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3,477,042	3,477,042
Cash and cash equivalents	394,184	394,184
	3,871,226	3,871,226

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18,281,330	18,281,330
Other liability 1	-	-
	18,281,330	18,281,330

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3,435,218	3,435,218
Cash and cash equivalents	226,059	226,059
	3,661,277	3,661,277

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	22,872,175	22,872,175

Financial instruments in Statement of financial performance

2023

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38. Financial instruments disclosure (continued)

2022

39. Risk management

Financial 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.

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	2023	2022
Nedbank - Call Deposit	105,978	99,548
ABSA - Cheque Account	155,489	116,689
ABSA - Invest Tracker	125,998	3,427
ABSA - Call Account	6,594	6,352
Receivables	3,477,042	3,435,218

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from short term loans and investment. These are issued at variable rate and expose the Municipality to cash flow interest rate risk.

Financial instruments that are issued at fixed rate expose the municipality to fair value interest rate risk.

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40. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

The prior period adjustments relate to:

1. Realisation of conditional grant spent in the prior year.
2. Correction of PPE in relation to asset disposals in the prior year.

Statement of financial position

2022

	As previously reported	Correction of error	Restated
Unspent conditional grants and receipts	1,224,675	(1,224,675)	-
Property Plant and Equipment	9,978,467	67,118	10,045,585
	11,203,142	(1,157,557)	10,045,585

Statement of financial performance

2022

	As previously reported	Correction of error	Restated
Government grants & subsidies	50,957,326	1,224,675	52,182,001
Depreciation	1,422,975	(67,550)	1,355,425
Surplus for the year	52,380,301	1,157,125	53,537,426

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41. Budget differences

Material differences between budget and actual amounts

The excess of actual over the final budget of 5% is deemed to be material. Reasons are provided on the differences below.

Generally, the actual has been higher than the budgeted amounts for the year.

Statement of Financial Performance

Rental of facilities and equipment

The variances arise from the rental income being over budgeted. Municipality had anticipated to rent out additional office space.

Recoveries

The municipality did not budget for the recoveries on the write off on creditors balances

Interest received debtors

The variances arise from the interest not budgeted due the local municipality not paying their obligation in the previous years.

Other Income

The variance is due to the under budget on the Planning Department licenses and permits income.

Interest received - Investment

The variances arise from the over budgeting of interest income. The investment income depends on how much and when the Grants amounts are received versus the outstanding payments. The grants were reduced in the current year.

Government grants and Subsidies

The difference is mainly from the reduction of the Provincial Assistance Grant from COGTA in the current year.

Financial Assistance Income

The municipality received financial assistance in the current year from Provincial Treasury which comes in the form support through the payment of audit fees on behalf of the municipality. The amount was not budgeted as Treasury determines when and how much to pay. In the previous year, no Financial Assistance was received.

LGSETA Income

Management over budgeted the income. The amounts are determined by LGSETA during the year hence the variances.

Employee related costs

The decrease is mainly due to the saving on Director Corporate Services which was vacant throughout the year and the reduction in leave provision for the year.

Remuneration of councillors

The variance is mainly to the period of changeover between new council and old council where the full month salaries were not paid. Management only paid a few days for the month of November 2021

Depreciation and amortisation

The variance is due to under budgeting in the current financial year.

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41. Budget differences (continued)

Finance costs

The variance is due to under budgeting in the current financial year.

Debt Impairment

The variance is due to under budgeting in the current financial year.

Contracted services

The underspending is due to costs which are reallocated from contractors to general expenses such as Mscoa license fees and mSCOA trainings.

General expenses

The variance is due under budgeting in the current financial year due to the tight budget.

Statement of Financial Position

Inventories

The variance is due to the municipality utilising all the consumables during the year and not having any consumables at hand at year end.

VAT Receivables

The municipality over budgeted for Value Added Tax.

Receivables from exchange transactions

The municipality under budgeted the receivables. The receivables increased mainly from Kopanong local municipality

Cash and cash equivalents.

The decrease is mainly from the reduction in the grants which the municipality invests and earns interest.

Property, plant and equipment

The over budgeting is due to depreciation for the year not being factored in the budget

Intangible assets

The over budgeting is due to amortisation for the year not being factored in the budget.

Finance Lease.

The municipality did not budget for the finance lease liability

Payables from exchange transactions

The municipality under budgeted due to an erroneous error on the budget template.

Unspent conditional grants

The municipality did not budget the unspent as it anticipated that the grants will be fully utilised in the current financial year.

Employee Benefit Obligation

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41. Budget differences (continued)

The employee benefit obligation was not budgeted for the year.

Cash flow statement

Grants

The municipality over budgeting on the Provincial Assistance grant which was not received in the current year.

Other receipts

The municipality overbudgeted the during the year.

Employee costs

The municipality overbudgeted the during the year and there was a saving on Director Corporate Services which was vacant throughout the year

Suppliers

The variance is due under budgeting in the current financial year due to the shortage of funds. budget.

Finance costs

The variance is due under budgeting in the current financial year due to the shortage of funds. budget.

Purchase of equipment

The variance is due under budgeting in the current financial year due to the shortage of funds.

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42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGBC)

Opening balance as previously reported	1,607	19,092
Add: Losses identified - prior period	19,678	-
Less: Amounts recovered - current	(18,101)	(17,485)
	3,184	1,607

VAT

Opening balance as previously reported	2,682,789	3,247,447
Add: - current period	1,035,468	1,367,549
Less: Amounts recovered /paid - current	(1,326,177)	(1,932,207)
	2,392,080	2,682,789

Audit fees

Opening balance	1,302,159	1,428,515
Current year subscription / fee	5,650,490	3,754,827
Amount paid - current year	(6,515,168)	(3,881,183)
	437,481	1,302,159

PAYE UIF and SDL

Opening balance	737,831	593,031
Current year subscription / fee	9,440,104	9,226,640
Amount paid - current year	(9,354,490)	(8,485,910)
Amount paid - previous years	-	(595,930)
	823,445	737,831

Pension and Medical Aid Deductions

Opening balance	911,150	19,201
Current year subscription / fee	11,675,106	10,583,063
Amount paid - current year	(11,674,115)	(9,691,114)
	912,141	911,150

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43. New standards and interpretations

43.1 Standards and interpretations effective and adopted in the current year

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

43.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after July 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2023

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44. Segment information

General information

Identification of segments

The municipality does not have any reportable segments which generates economic benefits. The financial information is already disclosed in the Annual Financial Statements.

Reference	Section	Findings	Root Cause	Action Plan	Due Date	Responsible Person														
AAFS2702-2023	Misstatements in annual financial statements	<p>Nature: Contrary to the requirements above, we identified the following issues in relation to payables from exchange transactions:</p> <p>1. The supporting evidence for the following sub-line items does not correspond to the amounts disclosed in the AFS:</p> <table border="1"> <tr> <td>Sub-line item amount as per the supporting schedule</td> <td>Amount as per AFS</td> </tr> <tr> <td>Trade payables</td> <td>8 119 923,40 R</td> </tr> <tr> <td>Trade payables</td> <td>7 760 990,00 R</td> </tr> <tr> <td>Auditor General of South Africa</td> <td>2 676 362,70 R</td> </tr> <tr> <td>Third party payables</td> <td>1 690 588,94 R</td> </tr> <tr> <td></td> <td>1 878 096,00 R</td> </tr> <tr> <td>Total</td> <td>1845 630,04 R</td> </tr> </table> <p>2. There is no supporting schedule provided for an amount of R340 943 disclosed for Sundry creditors.</p>	Sub-line item amount as per the supporting schedule	Amount as per AFS	Trade payables	8 119 923,40 R	Trade payables	7 760 990,00 R	Auditor General of South Africa	2 676 362,70 R	Third party payables	1 690 588,94 R		1 878 096,00 R	Total	1845 630,04 R	<p>Management did not reconcile the supporting records to the amounts disclosed in the AFS and/or review the financial statements to confirm that it corresponds to the supporting schedules.</p>	<p>Management will ensure that the correct supporting schedules are submitted, with no differences and will be properly reviewed. Going forward the monthly third party schedules will be prepared and filed. Uncorrected misstatements must be corrected on the system.</p>	30-Apr-2024	Nonceba Manyana
Sub-line item amount as per the supporting schedule	Amount as per AFS																			
Trade payables	8 119 923,40 R																			
Trade payables	7 760 990,00 R																			
Auditor General of South Africa	2 676 362,70 R																			
Third party payables	1 690 588,94 R																			
	1 878 096,00 R																			
Total	1845 630,04 R																			
AAFS2752-2023	Misstatements in annual financial statements	<p>Nature: Contrary to the above, we identified a difference between Note 3: Receivables from exchange transactions - trade debtors and the supporting debtor's listing. Details are as follows:</p> <table border="1"> <tr> <td>Amount as per age analysis</td> <td>Amount as per AFS</td> </tr> <tr> <td>9 127 190,88 R</td> <td>7 192 229,00 R</td> </tr> <tr> <td></td> <td>1 934 961,88 R</td> </tr> </table>	Amount as per age analysis	Amount as per AFS	9 127 190,88 R	7 192 229,00 R		1 934 961,88 R	<p>Cause: This was due to lack of regular review and reconciliation of the debtors' listing to ensure that the debtors' accounts are accurate and correct.</p> <p>The above results in a misstatement of trade debtors.</p>	<p>Management will ensure that there is proper reconciliation between debtors age analysis and AFS A reversing journal was processed and AFS adjusted with the correct debtors amount.</p>	31-Jan-2024	Vincent Liabe								
Amount as per age analysis	Amount as per AFS																			
9 127 190,88 R	7 192 229,00 R																			
	1 934 961,88 R																			

<p>AA/PS/2753-2023</p>	<p>Misstatements in annual financial statements</p>	<p>Requirement: Section 122 (1)(a) of the Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation.</p> <p>GRAP 17 defines depreciation as the systematic allocation of the depreciable amount of an asset over its useful life.</p> <p>Nature: Contrary to the above, during testing of depreciation we identified that the reported depreciation charge for the below assets in the 2022/23 financial year differs from the recalculation that was re-performed that considered the Net Book Value and the remaining useful lives of the assets at the beginning of the year. Please refer to the below table for further detail.</p> <p>Details as per the Fixed Asset Register Auditors Workings Date Purchased#Description#Asset Number#Cost Price #Useful life #BV#Opening balance</p> <p>(A) Opening re-assessed RUL (in days) (B) Residual Value Used in current year</p>	<p>This is due to management using the total useful life to determine the depreciation instead of the remaining useful life.</p>	<p>Ensure correct calculation of depreciation (parameters) on the system (AMS 360). Review the updated FAR on a monthly basis</p>	<p>15-Feb-2024</p>	<p>Thabo Matsiliso</p>
<p>AA/PS/2754-2023</p>	<p>Misstatements in annual financial statements</p>	<p>Requirement: Section 62 (1) (c) (i) of Municipal Finance Management Act states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Section 122 (1) (a) of Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Section 125 (1) (c) of the MFMA states that the notes to the financial statements of a municipality must include the total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year.</p> <p>Nature: Contrary to the above, it was confirmed that Note 42: Additional disclosure in terms of Municipal Finance Management Act of the AFS was not prepared in accordance with requirements of paragraph 1 Section 125 of MFMA. The note omitted the following: 1. Audit fees. 2. Pension and medical aid contribution as well as any amounts owed.</p>	<p>This was due to lack of review of financial statements to ensure that the financial statements are prepared in accordance with the generally recognised accounting practices and Section 125 of Municipal Finance Management Act.</p>	<p>Management had adjusted note 42 Annual Financial Statements to include Additional Disclosures. See attached final AFS</p>	<p>19-Jan-2024</p>	<p>Vincent Utobe, Thabo Matsiliso</p>

AAFS2756-2023	Misstatements in annual financial statements	<p>1. Accurate disclosure of the Statement of comparison of budget and actual amounts</p> <p>Requirement Section 62(1)(b) of the MFMA stipulates that the accounting officer must take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.</p> <p>Paragraph 12 of GRAP 24, Presentation of Budget Information in Financial Statements, stipulates that subject to the requirements of paragraph 13, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:</p> <p>(a) the approved and final budget amounts;</p> <p>(b) the actual amounts on a comparable basis; and</p> <p>(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.</p> <p>Nature: Contrary to the requirement above, we have identified differences between approved budget disclosed in the Statement of comparison of budget and actual amounts and the municipality's approved budget. There are also differences between the revised/adjusted budget amount disclosed in the Statement of comparison of budget and actual amounts and the adjusted budget. Details are as follows:</p> <p>Statement of comparison of budget and actual amounts</p> <p>Financial statement amount (A) <input type="checkbox"/> approved budget amount (B) <input type="checkbox"/> difference (A-B) <input type="checkbox"/> Financial statement adjustment amount (C) <input type="checkbox"/> Budget adjustment amount (D) <input type="checkbox"/> difference- (C-D) Revenue from non-exchange transactions <input type="checkbox"/> Transfer revenue <input type="checkbox"/> Government grants & subsidies <input type="checkbox"/> 69 569 000 <input type="checkbox"/> 69 569 000 <input type="checkbox"/> 0</p>	<p>The above is as a result of inadequate review of the annual financial statements against the approved budget.</p>	<p>The matter was subsequently resolved. Management will ensure that the correct and most recent approved budget figures are captured disclosed in the Statement of comparison of budget and reconcile the actual amounts to the budget submission to AG.</p>	15-Feb-2024	Thabop Matelliso, Vincent Utabe
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AAPS2757-2023	Misstatements in annual financial statements	<p>1. BOAF 27 of 2023: Property, plant and equipment - Differences identified and presentation & disclosure issues.</p> <p>Requirement: Section 122 (1) (e) of the Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 35 of GRAP 17 states that the financial statements shall disclose, for each class of property, plant and equipment recognised in the financial statements a reconciliation of the carrying amount at the beginning and end of the period showing disposal.</p> <p>Paragraph 39 of GRAP 3 states that to the extent that a change in an accounting estimate gives rise to changes in or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.</p> <p>Paragraph 41 of GRAP 3 states that an entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.</p> <p>Nature: Contrary to the above, the issues below were identified: I) Assets subject to finance lease (Net carrying amount) Note 5: Property, plant and equipment of the notes to financial statements for 2022/2023 financial year disclosed "assets subject finance lease (net carrying amount)" as R128 564 as a corresponding amount, however, through inspection of Note 6: Property, plant and equipment of the notes to financial statements for 2021/2022 disclosed closing balance amount as R0, in addition to this, there were no restatement and prior period error corrections made, the details are as below: R021/22 AFS Difference Assets subject to finance lease (Net carrying amount) Opening Balance Closing Balance LBOAF 34 of 2023: Unauthorised, irregular, fruitless and wasteful expenditure: Accounting Officer did not prevent occurrence of UIPW expenditure.</p>	<p>This was due to lack of review of financial statements to ensure that they are free from error and complete.</p>	<p>1. Ensure a correct calculation of impairment loss and disclose in AFS 2. Ensure a correct accounting of disposals in FAR and AFS 3. Ensure the correct accounting of change in estimate and disclose accordingly</p>	15-Feb-2024	Thabo Matsillo, Thandeka Thababala
AAPS2756-2023	Other reported information	<p>Section 62(1) (d) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.</p> <p>Nature: Contrary to the above, it was confirmed that the accounting officer of the municipality did not prevent unauthorised, irregular, fruitless and wasteful expenditure from occurring the details were as follows: Unauthorised expenditure occurred in current year - R6 724 033 Fruitless and wasteful expenditure (Note 36): Fruitless and wasteful expenditure incurred in current year - R398 285 Irregular expenditure (Note 36): Irregular expenditure (non-compliance with laws and regulations) in current year - R1 295 694</p>	<p>This was due lack of oversight by management to ensure compliance with relevant laws and regulations.</p>	<p>Strengthen/ Review internal controls and business processes to avoid irregular expenditure. Monitor implementation on a daily basis Improve cash flow position and pay invoices within 30 days of invoice to avoid fruitless and wasteful expenditure Implement strict controls to ensure overspending on the budget is avoided. MPAC to complete investigation of historic UIPW and current one</p>	28-Jun-2024	Lebohang Moletsane

AAPS2760-2023	Misstatements in annual financial statements	<p>1.06AF 39 – Inaccurate accounting of trade debtors</p> <p>Requirement: Section 62 (1) (c) of Municipal Finance Management Act states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Section 122 (1) (a) of Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>Paragraph 61 of GRAP 104: financial instruments states that 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.</p> <p>Nature: Contrary to the above, the issue below were identified on Note 3: Receivables from exchange transactions</p> <p>Issue 1: Trade debtors' balances relating to Mopani local municipality</p>	<p>This was due to lack of internal reviews and reconciliation of accounts to ensure that the trade and receivables account is accurate.</p>	<p>Issue 1 - Management will ensure that any debt relief or debt forgiveness amount reduces the trade receivable balance. See the attached journal to correct the transaction</p> <p>Issue 2 - Matter resolved</p>	<p>31-Jan-2024</p> <p>Vincent Llibe, Gradous Mmola</p>
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<p>AAP52761-2023</p>	<p>Misstatements in annual financial statements</p>	<p>1.80AF 44 of 2023 - Payables from exchange transactions: Completeness of trade payables could not be confirmed Audit Finding Section 122(1)(a) of the MFMA</p> <p>Every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>GRAP 1 1.5 Accrual basis means a basis of accounting under which transactions other than events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.</p> <p>1.7 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses.</p> <p>Nature: Contrary to the above, it was confirmed that the trade creditors listed below could not be traced to the creditors listing/age analysis, as a result the completeness of trade creditors could not be confirmed.</p> <p>1. Munene Makopo Risk Solutions - R340 296.95 2. IQ Technologies - R30 340.35 3. Bamelin (Pty) Ltd - R36 509.00</p>	<p>Management did not review the underlying records adequately to ensure correctness and completeness of trade creditors listing.</p>	<p>Prepare creditors reconciliations between the suppliers statement and the financial system are performed and reviewed monthly. A memo for the cut-off date for submission after year end will be prepared and circulated.</p>	<p>30-Apr-2024</p>	<p>Nonceba Manyana, Dimakaso Mphahloanyane</p>
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<p>AA/PS/2764-2023</p>	<p>Misstatements in annual financial statements</p>	<p>1.00AF 30 of 2023: Cash flow statement: Inaccurate and incomplete</p> <p>Audit Finding Requirement</p> <p>Section 122(1) (a) of the MFMA states that every municipality must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>Nature</p> <p>Contrary to the above, we have noted differences between amounts presented on the cash flow statement and amounts in the statement of financial performance/financial position/notes to financial statements for the items presented on the face of the cash flow statement and on the reconciliation of net cash flows from operating activities to surplus/ (deficit) as indicated below:</p> <p>Recalculated amount: R amount as per the cash flow statement Differences</p> <p>Cash Flow from operating activities</p> <p>Receipts (Including VAT)</p> <p>Add Customers 64 701 960,00 64 701 960,00</p> <p>Add Grants and subsidies received 475 680,00 475 680,00</p> <p>Add Interest received 593 702,00 - 593 702,00</p> <p>Add Rental of facilities 760,00 - 760,00</p> <p>Add Interest received debtors 80 198,00 - 80 198,00</p> <p>Add Other income 1 496 743,00 - 1 496 743,00</p>	<p>This was due to lack review of the financial statements to ensure that the amounts in the cash flow statement are accurately presented.</p>	<p>Run a quarterly cash flow statement with and review for completeness and accuracy. Ensure each balance is supported by underlying records. Review the AFS before submission for audit.</p>	<p>30-Aug-2024</p> <p>Vincent Utabe, Nonceba Malyana</p>	
<p>AA/PS/2766-2023</p>	<p>Non-compliance with laws and Regulations</p>	<p>Section 10(1) of the regulations on appointment and conditions of employment of senior managers stipulates that the municipal manager must, within 14 days of receipt of approval referred to in regulation 7, ensure that a vacant post is advertised.</p> <p>Section 7(1) stipulates that when the post of a senior manager becomes vacant or is due to become vacant, the mayor, in the case of a municipal manager, or the municipal manager in the case of a manager directly accountable to the municipal manager, must upon receipt of the official notification, that the post of a senior manager will be vacant, obtain approval from the council for filling of such post in its next council meeting or as soon as it is reasonably possible to do so.</p> <p>Nature</p> <p>Contrary to the requirement above, we identified non-compliance with the above requirements in relation to the appointment of the Director: corporate services. Council approved the advertisement of the vacant post of Director Corporate Services in the Council meeting held on 9 December 2021 and that the date of publication of the advert was on 17 February 2022. This constitutes 70 days after approval by council which is in excess of the 14 days requirement.</p>	<p>This was due to management non-complying with regulations on appointment and conditions of employment of SMS.</p>	<p>The Municipality has improved in the appointment of the Director Planning and Social Development, Council in a meeting held on the 15th September 2023 resolved to Re-Advertise the position of the Director Planning and Social Development on the 24th September 2023 in the Sunday world newspaper. Please the attached Council Agenda of the 15th September 2023 and the advertisement of the Director Planning and Social Development.</p>	<p>Tefo Lebaka, Mbulalo Jafra</p>	

<p>AAPS2770-2023</p>	<p>Misstatements in annual financial statements</p>	<p>4.EV - CoAF 20 of 2023: Employee related cost: Payroll report reconciliation does not agree to AFS Requirement</p> <p>Section 122(1) (e) of the MFMA states that every municipality must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures; when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>Nature Contrary to the above, we identified a difference between payroll reconciliation report and Note 20: Employee related cost to the annual financial statements. Details are as follows:</p> <p>Account description Payroll report amount AFS amount Difference Annual Bonus 2 180 258,03 2 084 934,00 95 324,03 Medical aid company contributions 2 394 700,44 2 409 670,00 (14 969,56) UIF 168 175,24 153 206,00 14 969,24 SDL 382 320,23 380 054,00 2 266,23 Long service awards 140 451,43 267 451 (126 999,58) Leave pay 1 117 102,93 717 091,00 400 011,93 370 620,66</p>	<p>This was due to lack of regular review and reconciliation of the payroll report accounts to annual financial statements to ensure that the payroll report schedules are accurate and correct</p>	<p>Management will ensure that monthly payroll reconciliations are performed and reviewed. Correct disclosure in AFS.</p>	<p>30-Apr-2024</p> <p>Nonceba Manyana, Lerato Mofoung</p>
<p>AAPS2771-2023</p>	<p>Misstatements in annual financial statements</p>	<p>5.EV - CoAF 20 of 2023: Remuneration of councilors: Differences between payroll report and AFS Requirement</p> <p>Section 122(1) (a) of the MFMA states that every municipality must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>Nature Contrary to the above, the difference below was identified:</p> <p>Description AFS Payroll report Difference Basic Salary - CLURS 323 518,14 140 583,20 182 934,94 (Cell phone Allowance - CLURS) 247 200,00 244 800,00 2 400,00 Data Allowance - CLURS 106 654,47 21 600,00 85 054,47 (Op Cost - Skills Development Fund - CLURS) 46 653,98 120,00 46 533,98 (Medical Aid Benefits - CLURS) 43 299,03 106 654,47 63 355,44 (Pension Fund Contribution - CLURS) 19 200,00 43 299,03 24 099,03 81 786 525,62 603 470,68 183 054,94</p>	<p>This was due to lack of regular review and reconciliation of the payroll report accounts to annual financial statements to ensure that the payroll report schedules are accurate and correct.</p>	<p>Management will ensure that monthly payroll reconciliations are performed and reviewed. Uncorrected misstatements must be corrected in the accounting records</p>	<p>29-Mar-2024</p> <p>Nonceba Manyana, Lerato Mofoung</p>

<p>AAFS2775-2023</p>	<p>Misstatements in annual financial statements</p>	<p>9. BV - CoAF 2 of 2023 - AFS high level review Requirement Section 62(1) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that: b) full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. c) the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control Section 122(1) of the MFMA states that every municipality and every municipal entity must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; Paragraph 17 of GRAP 1, Presentation of Financial Statements, states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation. Nature Contrary to the requirements above, we have identified issues on the annual financial statements submitted for audit on 31 August 2023. Details are as follows: 1. Statement of financial position 1.1 The description of trade and other receivables on the face of the AFS is different to Note 3. Note 3 refers to "Receivables from exchange transactions". 2. The description of payables from non-exchange transactions on the face of the AFS is different to Note 8. Note 8 refers to "Taxes and transfers payables (non-exchange)".</p>	<p>The above is as a result of inadequate review of the annual financial statements and the underlying records.</p>	<p>Perform monthly reconciliations and keep accurate underlying records Review monthly accounts for accuracy and completeness Keep a proper filing of supporting documentation Perform quarterly financial statements Request PT to assist with review</p>	<p>29-Mar-2024</p>	<p>Thabo Matheiso, Vincent Litabe, Sejane Motobako, Noncaba Mnyanya</p>
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<p>AAP52780-2023</p>	<p>Misstatements in annual financial statements</p>	<p>12.IV - CoAF 43 of 2023 - Unauthorised expenditure: Supporting break down of expenditure authorized not submitted for audit purposes.</p> <p>Audit Finding</p> <p>Section 62(1) (1)(b) of MPMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;</p> <p>Section 122, (1)(a) of the Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states that the financial Statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in Financial Statement that achieve a fair presentation.</p> <p>Nature</p> <p>Contrary to the above, it was confirmed that management provided the MPAC recommendation for authorisation of the 2020/21 unauthorised expenditure listed below, however, the breakdown and supporting documentation were not submitted. Details are as follows:</p> <ol style="list-style-type: none"> 1. Water and electricity - R386 525.19 2. Occupational health - R437 808.46 3. Computer software - R386 990.96 4. Municipal buildings - R559 196.52 5. SALGA membership - R108 666.87 <p>Total R1 879 990</p> <p>In addition to the above, council wrote-off an amount of R641 429.61 relating to the leave provision for the 2019-20 financial year of which supporting documentation was not provided for audit.</p>	<p>This was due to lack of oversight to ensure that the financial statements are supported by a valid and accurate underlying records;</p>	<p>Keep registers of Unauthorised expenditure and supporting documentation for current and prior years. Submit registers to MPAC for investigation Take into account the investigated Unauthorised expenditure for disclosure in AF5</p>	<p>15-Feb-2024</p>	<p>Thabo Masisiso, Thandeka Tshabalala</p>
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<p>AA192792-2023</p>	<p>Misstatements in annual financial statements</p>	<p>14. BV - CoAF 22 of 2023: Property, plant and equipment: Asset that could not be verified and completeness of the register.</p> <p>Audit Finding</p> <p>Section 122 (1)(c) of the Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>GRAP 17 States that depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production. The carrying amount of an item of property, plant and equipment shall be derecognised: (a) on disposal (including disposal through a non-exchange transaction); or (b) when no future economic benefits or service potential are expected from its use or disposal.</p> <p>An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) 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 (GRAP 3)</p> <p>Nature</p> <p>Contrary to the above, during the asset verification process that was carried, the below issues were encountered:</p> <p>1. Assets that could not be verified</p> <p>The below sampled assets that could not be confirmed for purposes of existence during the asset verification process that was carried out. Please refer to the below table for further information.</p> <p>Details as per the fixed asset register:</p>	<p>Management did not ensure that the fixed asset register is adequately maintained and that reported assets exist and that all the assets were reported on thus ensuring the completeness of the property, plant and equipment.</p> <p>In addition, management did not ensure that it reports on all the usage/ economic benefits that it obtained from the usage of the assets during the current financial year.</p>	<ol style="list-style-type: none"> 1. Perform monthly asset verification process and keep a proper record. Asset the condition of an asset thereof. 2. Submit records to CFO for review and signing off 3. Update FAR with any issue identified during the asset verification 4. Update the FAR with asset additions immediately when the asset is received 5. Remove the from FAR immediately when asset is disposed or scrapped 6. Assess the remaining useful of all classes of Asset 7. Source the usage of AMS 360 module and capture audited opening balances on the system and run depreciation calculations 	<p>15-Feb-2024</p>	<p>Thabo Matsiliso, Thandeka Tshabalala</p>
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<p>AAFS2802-2023</p>	<p>Misstatements in annual financial statements</p>	<p>18.0V - CoAF 33 of 2023: Payables from exchange: Leave accrual- Differences identified between the leave accrual pay disclosed and the auditor's recalculation Audit Finding Nature Section 62(1)(c) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. GRAP 1, Presentation for financial statements, states that: .31 An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. .32 When the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements. Nature Contrary to the above, we identified differences below between the calculations of the leave pay accrual disclosed in Note 7: Payables from exchange transactions and the auditor's recalculation. Details are as follows: Initial and surname opening balance as per the 2023 leave register Annual leave credit leave taken leave balance Auditor's recalculation of the provision (limited to 48 days) Management's Leave provision Calculation (limited to 48 days) Difference PI Dikomo 92 335,11 79 857,40 12 477,72 LM Maly 49 504,14 48 004,02 1 500,13 M Manyana 103 522,86 92 739,23 10 783,63 TS Matsillo 88 425,78 86 269,05 2 156,73 NP Fubhe 117 290,55 114 795,01 2 495,54 TL Mokhele 86 935,43 83 071,63 3 863,80 TSD Sehloho 22 852,27 26 885,02 4 032,76 WF PV Uabane 48 373,43 257 991,65 209 618,22 MM Masitane 36 234,72 6 099,12 30 135,60</p>	<p>Management did not review the underlying records adequately to ensure correctness and accuracy of leave accrual pay.</p>	<p>The HR will conduct 100% population to effect adjustments where necessary by the end of the financial Year 2023/2024</p>	<p>29-Feb-2024</p>	<p>Tefo Lebako, Mbulelo Jafa</p>
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<p>00P52869-2023</p>	<p>Misstatements in annual financial statements</p>	<p>24.BV - CoAF 49 of 2023 - Debt Impairment_ Inputs and estimates not substantiated Audit Finding Section 62 (1) (c) (i) of Municipal Finance Management Act states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Section 122 (1) (a) of Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. Paragraph 17 of GRAP 1 states financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation. Paragraph 61 of GRAP 104: financial instruments states that 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. Nature Contrary to the above, it was confirmed that management estimated the debt impairment for the year on trade debtors (Kopanong Local Municipality), however, the inputs used cannot be substantiated by a valid and reliable source, the details of the assumptions and methods used is detailed below:</p>	<p>This was due to lack of reviews by management to ensure correctness and accuracy of the assumptions, methods and estimates used and their source.</p> <p>Management will amend a policy on debt impairment to include the following: - Estimate used to determine the future cash flows - Factors considered by Management to determine the Discount rate used</p>	<p>29-Feb-2024</p>	<p>Vincent Liebe</p>
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<p>25 BV - CoAF 26 of 2023: Completeness of Related Parties Audit Finding Requirement</p> <p>Paragraph 62(1)(c)(iii) of the MFMA stipulates that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of internal audit operating in accordance with any prescribed norms and standards.</p> <p>GRAP 20 paragraph 27 stipulates that subject to the exemptions in paragraph 32, if a reporting entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 35 to disclose remuneration of management. At a minimum, disclosures shall include:</p> <p>(a) the amount of the transactions;</p> <p>Paragraph 35 of GRAP 20 stipulates that an entity shall disclose the remuneration of management per person and in aggregate, for each class of management, in the following categories:</p> <p>(a) fees for services as a member of management;</p> <p>(b) basic salary;</p> <p>(c) bonuses and performance related payments;</p> <p>(d) other short-term employee benefits;</p> <p>(e) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</p> <p>(f) termination benefits;</p> <p>(g) other long-term benefits;</p> <p>(h) any commission, gain or surplus sharing arrangements; and</p> <p>(i) any other benefits received.</p> <p>GRAP 20 Paragraph 36 Entitles shall make separate disclosures about the major classes of management that they have. For example, where an entity has a governing body that is separate from its senior management group, disclosures about remuneration of the two groups must be made separately. Nature</p> <p>Contrary to the above, it was confirmed that Note 20: Employee related costs and Audit Finding</p> <p>Section 62(1)(c)(i) of the MFMA states that the Accounting Officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Nature</p> <p>Contrary to the above, it was confirmed that the management has not timeously reviewed their policies and procedures at the beginning of the year to ensure their relevance to the current trend and changes in the industry, the same issue was raised in the prior; however, management only reviewed the policies and procedures close to year end and policies were effective from the beginning of the next financial year. In the year under review management has been operating with the policies and procedures that were not reviewed for their relevance to the trends and changes in the environment in which the municipality operates.</p>	<p>Misstatements in annual financial statements</p>	<p>31-Jan-2024</p>	<p>Vincent Litabe</p>	<p>Management must update related parties note on the AFS to include all relevant information. Note 31 was adjusted accordingly. See attached AFS</p>	<p>This is due to lack of review of financial statement by management to ensure that the financial statements prepared are free from errors and are complete.</p>	<p>Unit Managers not taking ownership on the policies in their Units. This was due lack of oversight by management to review the policies and procedures to ensure that they are relevant and address any change in environment in which they operate in.</p>	<p>management will ensure that policy registers is updated with the policies that are approved by Council.</p>	<p>29-Feb-2024</p> <p>Lebohang Moletsame</p>
<p>AAFS2304-2023</p>	<p>Non-compliance with laws and regulations</p>	<p>AAFS2670-2023</p>	<p></p>	<p></p>	<p></p>	<p></p>	<p></p>	<p></p>

<p>Requirement</p> <p>Section 166(1) of the MFMA stipulates that each municipality and each municipal entity must have an audit committee, subject to subsection (6) which states that a single audit committee may be established for a district municipality and the local municipalities within that district municipality.</p> <p>Section 166(2) (a) - (e) of the MFMA states that the (a) audit and performance committee has to advise council, the accounting officer and management of the municipality on matters relating to:</p> <p>(a)</p> <ul style="list-style-type: none"> - Internal financial control and internal audits - Risk management; - Accounting policies; - The adequacy, reliability and accuracy of financial reporting and information; - Performance management; - Effective governance; - Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; - Performance evaluation; - Any other issues referred to it by the municipality or municipal entity; <p>(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;</p> <p>(c) Respond to the council on any issues raised by the Auditor-General in the audit report;</p> <p>(d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and</p> <p>(e) Perform such other functions as may be prescribed</p> <p>Contrary to the above requirement, we identified that the district municipality did not establish an audit committee for the first half of the 2022-23 financial year.</p> <p>Requirement:</p> <p>Section 53(1)(c)(ii) of the MFMA stipulates that the mayor of the municipality must take all reasonable steps to ensure the municipality's service delivery and implementation plan is approved by the mayor within 28 days after approval of the budget.</p> <p>Nature:</p> <p>Contrary to the requirement above, we noted that service delivery and budget implementation plan (SDBIP) for 2022-23 was not approved within 28 days after approval of the budget for the same period. Council resolved to approve the budget for the 2022-23 financial year on 27 June 2023 and the mayor approved same on 26 July 2023. Thus, it took the mayor 29 days to approve the SDBIP.</p>	<p>This is due to the audit committee not being established for the first 6 months of the financial year and management not being able to present council with sufficient number of suitable candidates to appoint as audit committee members timeously to enable the functionality thereof throughout the 2022/23 financial year.</p>	<p>The Audit Committee had two meetings in the current financial year. The first meeting was on the 25th August 2023 and second meeting was on the 24th November 2023, therefore the Audit Committee is functional and will be sitting as per approved schedule of meetings. Furthermore, the Audit has reported to the Municipal Council on the 6th December 2023 and will be presenting another report in the Ordinary Council meeting on the 31st January 2024.</p>	<p>Thabiso Mokhele</p>	<p>17-Jan-2024</p>	<p>Nini Ngeyakhwe</p>
<p>Non-compliance with laws and regulations</p>	<p>Non-compliance with laws and regulations</p>	<p>The Final Budget for 2023-2024 was approved by Council on the 28th of June 2023 and the MM and Executive Mayor approved the Final SDBIP on the 24th of July 2023. Therefore 2023-2024 SDBIP has been concluded and approved within 28 days as stipulated by legislation.</p>	<p>17-Jan-2024</p>	<p>Nini Ngeyakhwe</p>	

<p>AAFP52710-2023</p>	<p>Non-compliance with laws and regulations</p>	<p>Requirement: Regulation 35 of upper limit of the total remuneration package of senior managers of Municipal Systems Act states that: (1) The Minister must by notice in the Gazette annually determine the upper limit of the total remuneration package of senior managers according to different categories of municipalities. (2) The upper limit of the total remuneration package of senior managers for a financial year, must be determined by the Minister before 31 March of the following financial year after consultation with the Minister for Public Service and Administration, the Minister of Finance, the MECs for local government, and organised local government, by notice in the Gazette after taking into consideration - (a) the classification of municipalities according to different grades (b) the respective duties, powers and functions and responsibilities of the municipality (c) the affordability of the different levels of remuneration, the number of municipal employees and the salary and wage bill of the municipality (d) the population, operating budget, and assets of the municipality (e) the current principles and the levels of remuneration in society in general (f) the need for the promotion of equality and uniformity of salaries, allowances and benefits for the equal work performed (g) the provision of uniform norms and standards nationally to address the disparities and (h) inflationary increases</p> <p>Nature: Contrary to the above, it was identified that the municipal manager and senior managers reporting to the municipal manager were paid above the upper limits of the senior managers as per the government gazette. Please refer to the table below:</p> <p>According to Government gazette 475338 for upper limit of senior managers relating to remuneration of senior managers:</p> <p>The upper limits of the annual total remuneration packages payable to municipal managers are as follows: Municipality category Total remuneration package (minimum) R remuneration (midpoint) Total remuneration (maximum) R 1. 1 007 556 R 1 103 450 R 1 213 795 00</p>	<p>This is due to lack of oversight by management to ensure compliance with the applicable laws and regulations.</p>	<p>The Disciplinary board is instructed to investigate the matter and present the feedback to Council and with very clear recommendations before the end of the 3rd quarter and the recovery would be effected where necessary in line with the recommendation(s). The progress in this regard will be reported according to relevant structures and at the right platforms.</p>	<p>Tefo Lebaka</p>
<p>AAFP52722-2023</p>	<p>Non-compliance with laws and regulations</p>	<p>Requirement MFMA Section 65 (1) states that the accounting officer of a municipality is responsible for the management of the expenditure of the municipality.</p> <p>MFMA Section 65 (2)(e) states that the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.</p> <p>Nature: Contrary to the above requirement, it was identified that the payment listed below were paid after the 30 days period has passed: Supplier name Invoice number Invoice date Invoice date of payment Date of payment days late CCG Systems INV19182805 652,170022/09/202023/04/140836 CCG Systems INV20254005 652,170023/01/31/2023/04/14083 CCG Systems INV20255005 652,170023/02/28/2023/04/14083 CCG Systems INV20256005 652,170023/03/25/2023/04/14088 CCG Systems INV20257005 652,170022/11/30/2023/04/140835 CCG Systems INV20258005 652,170022/12/31/2023/04/140804</p>	<p>This is due to lack of monitoring of compliance to ensure that the municipality complies with the relevant laws and regulations.</p>	<p>The management will ensure that all the invoices that must be paid will be paid within 30 days of invoice. All the payments will be checked before being approved if the budget is available for the payment to be processed. A memo will be prepared for the budgeted items and cut-off invoices dates for payments to be made.</p>	<p>30-Apr-2024 Nonceba Manyana</p>

<p>AAFS2755-2023</p>	<p>Misstatements in annual financial statements</p>	<p>Contrary to the above, during the asset verification process that was carried, the below issues were encountered:</p> <p>1. Assets that could not be verified The below sampled assets that could not be confirmed for purposes of existence during the asset verification process that was carried out. Please refer to the below table for further information.</p> <p>Details as per the fixed asset register Date Purchased: 2013/09/30 Equipment Category: 931.0125 Bar Fridge Asset Number: 760,43</p> <p>2. Assets that could not be traced to the Fixed Asset Register that was submitted for audit purposes. Please refer to the below table for further information.</p> <p>Information of asset as identified on the floor No. Asset description (as per asset selected from the floor) Camera System</p> <p>3. Assets picked from the floor and not depreciated The below assets (in-use) were selected from the floor and when traced to the Fixed Asset Register, we identified that the assets were in not depreciated even though they were in use and were not fully depreciated at the beginning of the financial year. Please refer to the below table for further information.</p> <p>Details as per the Fixed Asset Register FAR asset description: Projector FAR asset description: Bar code of asset in current year: Projector Amount: 1000.39 Projector screen: 45,46 1000.39 aircom Manager administration: 15,55 - 1.000,95 HP Probook laptop: 75,17 1000,39</p>	<p>Management did not ensure that the fixed asset register is adequately maintained and that reported assets exist and that all the assets were reported on thus ensuring the completeness of the property, plant and equipment. In addition, management did not ensure that it reports on all the usage/ economic benefits that it obtained from the usage of the assets during the current financial year.</p>	<p>1. Perform monthly asset verification process and keep a proper record. Asset the condition of an asset thereof. 2. Submit records to CFO for review and signing off 3. Update FAR with any issue identified during the asset verification 4. Update the FAR with asset additions immediately when the asset is received 5. Remove the from FAR immediately when asset is disposed or scrapped 6. Assess the remaining useful of all classes of Asset 7. Source the usage of AMS 360 module and capture audited opening balances on the system and run depreciation calculations</p>	<p>15-Mar-2024</p>	<p>Thabo Matshilo, Thandeka Tshabalala</p>
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AA/PS/2762-2023	Non-compliance with laws and regulations	<p>1. RoAF 47 of 2023, Non-compliance identified with the awarding of preparation of 2021/2022 annual financial statements tender</p> <p>Audit Finding</p> <p>Regulation 4 of preferential procurement preferential regulation states that A tender that fails to meet any prequalifying criteria stipulated in the tender documents is an unacceptable tender.</p> <p>Regulation 5 of preferential procurement regulations states the following:</p> <p>6. A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.</p> <p>7. Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.</p> <p>Regulation 8(8) of Preferential Procurement Regulations states that Subject to sub-regulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.</p> <p>Nature: Contrary to the above, we identified the following issues:</p> <p>Issue 1: bidders unfairly disqualified The bidders listed below disqualified on the basis that they did not submit the required information. However, the differs were unfairly disqualified because the required information was submitted. Details as follows:</p> <p>Rekoma and associates Ensilins JV Blueblood equity</p> <p>In addition to this, New Dimension Corporation passed the pre-qualification criteria but were not assessed further on functionality.</p> <p>However, based on the evaluation of the supplier's bids, none of the supplier's bid passed functionality, therefore, the issue will be limited to internal control deficiency.</p> <p>Issue 2: Bidders that met the functionality requirement that were not evaluated further</p>	<p>This was due to lack of oversight by management to ensure compliance with laws and regulations when evaluating the procurement bids.</p>	<p>Management to ensure that work performed at the evaluation level is thoroughly verified at the adjudication committee level to avoid any possible unfair disqualification both on required supporting documents and functionality. Bid Committee training by the end of February 2024</p>	<p>28-Jun-2024</p>	<p>Sejane Motobako, Jabulani Tshabalala</p>
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AA/52/769-2023	<p>Non-compliance with laws and regulations</p>	<p>3.RV - CoAF 11 of 2023: Employee cost: Remuneration above upper limits for senior managers</p> <p>Requirement Regulation 35 of upper limit of the total remuneration package of senior managers of Municipal Systems Act states that:</p> <p>(1) The Minister must by notice in the Gazette annually determine the upper limit of the total remuneration package of senior managers according to different categories of municipalities.</p> <p>(2) The upper limit of the total remuneration package of senior managers for a financial year, must be determined by the Minister before 31 March of the following financial year after consultation with the Minister for Public Service and Administration, the Minister of Finance, the MECs for local government, and organised local government, by notice in the Gazette after taking into consideration -</p> <p>(a) the classification of municipalities according to different grades</p> <p>(b) the respective duties, powers and functions and responsibilities of the municipality</p> <p>(c) the affordability of the different levels of remuneration, the number of municipal employees, and the salary and wage bill of the municipality</p> <p>(d) the population, operating budget, and assets of the municipality</p> <p>(e) the current principles and the levels of remuneration in society in general and benefits for the equal work performed</p> <p>(f) the need for the promotion of equality and uniformity of salaries, allowances and disparities and</p> <p>(g) the provision of uniform norms and standards nationally to address the disparities and</p> <p>(h) inflationary increases</p> <p>Nature Contrary to the above, It was identified that the municipal manager and senior managers reporting to the municipal manager were paid above the upper limits of the senior managers as per the government gazette. Please refer to the table below:</p> <p>According to Government gazette 47538 for upper limit of senior managers relating to remuneration of senior managers:</p> <p>The upper limits of the annual total remuneration packages payable to municipal managers are as follows:</p>	<p>This is due to lack of oversight by management to ensure compliance with the applicable laws and regulations.</p>	<p>The Disciplinary board is instructed to investigate the matter and present the feedback to Council and with very clear recommendations before the end of the 3rd quarter and the recovery would be effected where necessary in line with the recommendation(s). The progress in this regard will be reported according to relevant structures and at the right platforms.</p>	29-Feb-2024	Tefo Lebaka, Mbulelo lafta
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AAP52778-2023	Non-compliance with laws and regulations	<p>11.BV - COAF 5 of 2023: Not all instances of unauthorised, irregular, fruitless and wasteful expenditure were investigated.</p> <p>Audit Finding</p> <p>Section 62(1) (d) of the MFMA stipulates that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.</p> <p>Section 32(2) of the Municipal Finance Management Act states that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure</p> <ul style="list-style-type: none"> a) in the case of unauthorised expenditure, is i) authorised in an adjustments budget, or ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council. <p>Nature</p> <p>Contrary to the above, it was confirmed that not all the incidents of unauthorised, irregular, fruitless and wasteful expenditure were investigated to determine the extent of consequence management in order to determine whether the incidents are to be recovered or written off. The registers had the amounts of the incidents that were not investigated as follows:</p> <p>Unauthorised expenditure: Amounts from prior year: R30 851 530 Less: Amount authorised (R2 502 820) Amount not investigated: R28 348 728</p> <p>Irregular expenditure: Amount from prior year: R51 468 167 Amount not investigated: R51 468 167</p> <p>Fruitless and wasteful expenditure: Amount from prior year: R2 119 761</p>	<p>This was due to management inability to refer the incidents of unauthorised, irregular, fruitless and wasteful expenditure to determine the extent of consequence management</p>	<p>The MPAC has investigated and submitted to Council on the 30th August 2023 Irregular expenditure report for 2017/2018, 2018/2019, 2019/2020 and 2020/21 financial years.</p> <p>The Committee is yet to consider and Investigate Unauthorised expenditure and Irregular expenditure report for 2021/2022 in the third quarter of 2023/24 financial year.</p>		<p>Mbulelo Jafa, Nombi Augustus</p>
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AA192788-2023	Other reported information	<p>13.IV - CoAF 38 of 2023 - Budget management... No proof could be obtained that the budget and adjustment budgets were made public within 10 days after approval by council, the budget statements does not provide reasons for variances.</p> <p>Audit Finding</p> <p>Section 46 of MFMA states that the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month. When necessary, an explanation of—</p> <p>a) any material variances from the municipality's projected revenue by source, and from</p> <p>b) the municipality's expenditure projections per vote;</p> <p>c) any material variances from the service delivery and budget implementation plan; and</p> <p>d) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.</p> <p>Regulation 26 of the municipal budget and reporting regulation states that within 10 working days after the council/ board approved the adjustment budget, the municipal manager made public the approved adjustment budget.</p> <p>Nature</p> <p>Contrary to the above, we have inspected the monthly budget statements prepared and issued by the Xhariep District Municipality for the 2022/23 financial year and identified that the statements do not include explanation of the material variances incurred from the municipality's projected revenue by source and expenditure projections per vote; material variances from the service delivery and budget implementation plans; and remedial or corrective steps taken or to be taken by management to ensure that projected revenue and expenditure remain within the municipality's approved budget.</p> <p>In addition to the above, we have inspected the website of the auditee and confirmed that the adjusted budget for the 2022/23 financial year was published for public consumption however information evidencing that the approved the adjusted budget was published to the general public within 10 days was not provided for audit purposes and it therefore cannot be confirmed that the</p>	<p>This was due to lack of reviews to ensure that budget reports are prepared in accordance with section 46 of the MFMA and Regulation 6 of the municipal budget and reporting regulations.</p>	<p>Provide monthly explanations for material (10%) differences between the budget and actual revenue and expenditure in the summary of section 71 report. Publicize the budget and adjustment budget on the website, notice boards, local municipalities within the legislated timelines and keep proof of publicizing</p>	<p>15-Feb-2024</p> <p>Thabo Masellis, Thandeka Tshabalala</p>
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AA/52798-2023	Misstatements in annual financial statements	<p>16.IV - CoAF 13 of 2023: General expenditure: COIDA expenditure not accurately calculated.</p> <p>Requirement</p> <p>Section 62 (1) (i) of Municipal Finance Management Act states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>Section 122 (1) (a) of Municipal Finance Management Act states that every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.</p> <p>Paragraph 17 of GRAP 1 states financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.</p> <p>GRAP 19 Paragraph 43 states that the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. Nature</p> <p>Nature</p> <p>Contrary to the above, the following were identified when a provision for Compensation for Occupational Injuries and Diseases Act (COIDA) was prepared:</p> <p>Issue 1:</p> <p>Management did not correctly account for COIDA expenditure to the correct periods (1 July 2022 to 30 June 2023), the first invoice received is for the period 01 March 2021 to 28 February 2022 which is outside the municipality's financial period and the second invoice is for 01 March 2022 to 28 February 2023 of which should have been apportioned for 8 months of the year.</p>	<p>This is due to lack of regular review and reconciliation of accounts to ensure that the transactions are accurate, complete and that the financial statements are supported by complete and accurate underlying records.</p>	<p>Obtain COIDA Invoice and statement and calculate the payable immediately</p> <p>Recalculate the prior year payable and quantify the uncorrected misstatement.</p> <p>Journalise the misstatement in the current year.</p>	15-Feb-2024	Nonceba Manyana, Dimakatso Mphahloanyane
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AA/PS/2804-2023	Non-compliance with laws and regulations	<p>21.1.1.1 - CoAF 49 of 2023 - Procurement and contract management- The supplier with the lowest quote not selected</p> <p>Audit Finding Constitution of the Republic of South Africa 1996</p> <p>Section 217. Procurement.---</p> <p>(1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.</p> <p>Section 62 (1) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take the resources of the municipality are used effectively, efficiently and economically;</p> <p>Nature Contrary to the above, it was identified during the audit of procurement and contract management that the resources of the municipality were not used effectively, efficiently and economically for the following supplies:</p> <p>1. Three quotations were obtained for the supply of accommodation, however the lowest quote which would have been economical was not selected. See table below:</p> <p>No. Supplier/Amount 1 Bluewaters hotel (Selected supplier) R00 536 2 Southern Sun R24 654 3 The Edward R22 451,15</p> <p>2. Three quotations were obtained for the supply of a branded banner, however the lowest quote which would have been economical was not selected. See table below:</p> <p>No. Supplier/Amount 1 BC Branding Solutions (Selected supplier) R15 700</p>	This was due to lack of oversight to ensure compliance with relevant regulations.	Management to provide audit trail communication and supporting evidence where the lowest quotation could not be accepted.	28-Jun-2024	Sejane Matobako, Jabulani Tshabalala
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