



An area of unfound diversity

**XHARIEP
DISTRICT
MUNICIPALITY**

**FINAL ANNUAL REPORT
2010 / 2011**



XHARIEP DISTRICTMUNICIPALITY: FINAL ANNAUL REPORT

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KEY FACTS

Population

135 245

Number of Households

38 879

Land Area

34,131 km²

Population Density

4 people/km²

I am responsible for the preparation of this Annual Report prepared in terms of the Local Government Municipal Systems Act (Act 32 of 2000) Section 46; Section 121(1) of the Local Government Municipal Finance Management Act 56 of 2003(MFMA), and which I have signed on behalf of the Municipality.

.....

Mr T.L Mkhwane

Municipal Manager

Source: XDM IDP Document 2010/2011

Executive Mayor`s Foreword



Once again it is that time of the year when we do introspection and reflect on what we did achieve and what we did not as well. This is a very important exercise for us in government because it is a tool that we account to our constituents, rate payers and the community at large.

I have great pleasure to introduce the 2010/2011 Annual Report of the Xhariep District Municipality, which is both a legislative and accountability requirement. In terms of Section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003, the Municipality must prepare an annual report for each financial year and the Executive Mayor must table such report in Council within seven months after the end of each financial year.

This Annual Report is a culmination of the implementation of the Council's adopted Integrated Development Plan and Service Delivery and Budget Implementation Plan for the 2010/2011 financial year.

This Report presents the institution's achievements and challenges in working smarter and better in improving service delivery and development, in response to the President's clarion call on all public officials to make 2011 a year of speeding service delivery.

Achievements

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

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

Key achievements over the review period include the following:

- Receipt of qualified audit opinion from the Auditor-General moving from disclaimer.
- Establishment of shared services for risk management and auditing.
- Financial statements comply with GRAP standards.
- Establishment of Disaster Management Unit and Environmental Health Unit as part of our powers and function in terms of section 84 of Municipal Structures Act.
- Constant communication with residents of Xhariep District about plans and developments within this jurisdiction.
- Municipal transformation and development through skills development and Financial accountability
- More processes are internally carried out without the use of consultants, specifically compilation of IDP's, annual budgets and SDBIP's.
- Projects implementation as per IDP and budget.
- Establishment of economic development forums to provide platform for the LED stakeholders to engage on matters related to economic development.

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

Executive Mayor
Cllr. M.G. Ntwanambi

Municipal Manager`s Foreword

It is a legislative requirement that, as a District, we prepare for each financial year an annual report which must provide a true reflection of our achievements and challenges for the 2010/11 Financial Year in an effort to improve the lives of our people. I therefore, feel honoured and privileged to present the 2010/11 annual report of Xhariep District Municipality as prepared in terms of section 46 (1) of the Municipal Systems Act 32 of 2000 and section 121(1) of the Local Government Municipal Finance Management Act 56 of 2003, (MFMA).

In compiling this annual report, the strategic planning document IDP, the Budget and Performance Management Systems were used. The District, as mentioned in our last annual report, is still solely depended on the National and Provincial Grants for it to survive and carry out its constitutional mandate. This situation has a debilitating effect on the performance of the District. We are, however, encouraged to learn that the formula that is used to pay Equitable Shares to municipalities is soon going to be reviewed, especially in favour of rural districts and municipalities. Despite all these financial challenges, the district is gaining a competitive edge by using the limited resources sparingly, effectively and efficiently. The administrative machinery of the district has been oiled in that the organisational structure was reviewed, internal appointments made and about 80% of employees are being trained and capacitated. The most important asset, I believe, is the employees and once they are equipped with skills and knowledge everything is possible, good governance and clean audit are possible and can be achieved. The corporate image of the district has improved and has achieved a competitive advantage. The whole Xhariep building was refurbished; the mission, vision and values of the district have been engraved and displayed right at the entrance of the building. All employees have been provided with name tags and signages have been installed.

I would like to express my gratitude to the Honourable Executive Mayor, Honourable Speaker, Honourable Councillors, Senior Management and officials for sterling work and selfless dedication they have instilled over the years.

LOCAL GOVERNMENT IS EVERYONE'S BUSINESS..... BE PART OF IT.....

WHAT GETS MEASURED GETS DONE.....

.....
Mr. T.L MKHWANE
MUNICIPAL MANAGER

Chapter 1: Introduction and Overview

Introduction

The Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) (the MSA) obliges Xhariep District Municipality to develop and implement a Performance Management System (PMS). The Performance Management System framework that describes and represents how Xhariep District Municipality's cycle and processes of planning, monitoring, measuring, reviewing, reporting and improving its performance will be conducted, organised and managed and what roles different role-players will fulfil in the process.

It produces evidence of the extent to which the Municipality implemented its integrated development plan (IDP) and serves as basis for identifying the reasons for underperformance in order to take corrective action in a timely fashion.

The purpose of the Performance Management System is to set key performance indicators (KPIs) and targets for measuring Xhariep District Municipality's performance against the development priorities and objectives set out in its IDP during a specific financial year.

The Municipal Systems Act further requires that Xhariep District Municipality must, at least once during a year, measure and review its performance against the KPIs and performance targets contained in its PMS and prepare an annual performance report. These measurements will indicate in what areas Xhariep District Municipality performed satisfactorily and where improvements are required. The annual performance report must reflect at least the following –

- ❖ The municipality's performance and that of each external service provider that provides municipal services on its behalf during that financial year;
- ❖ a comparison of the performance of a specific year with the performance in the previous financial year;
- ❖ and measures taken to improve performance.

The Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) requires that Xhariep District Municipality must for each financial year prepare an annual report. The annual performance report must form part of the annual report. The Mayor must table the annual report regarding a specific financial year in the Council on or before 31 January of the next financial year. The Council must deal with the annual report on or before 31 March.

Overview

XDM was formally established on 06 December 2001 as a result of Section 21 of the Local Government Municipal Demarcation Act of 1998 whereby all areas of the former LG bodies were re-demarcated and new municipal entities established. The District is made up of four (4) Local Municipalities, namely, Kopanong, Mohokare, Letsemeng and Naledi.

The District constitutes the southern part of the Free State Province and covers an area of approximately 34, 131 km². There are 17 towns in this district, which boasts abundant natural resources such as water and agricultural land. As a matter of fact, the largest Dam in South Africa is situated at the southern tip of the District. Moreover, 3 National Roads (N1 – Gauteng to Cape Town, N6 – Eastern Cape to Bloemfontein and N8 – Bloemfontein to Kimberley) pass through the district. The area is also relatively crime free.

According to the 2001 census data¹, the population of the district is approximately 135 245, 50.8% being women and 49.2% men. Statistics SA (2001) estimates that 69% of this population is below 35 years. The total number of households within the district is estimated at about 38 879 (Statistics SA, 2001)

The District faces various challenges ranging from widespread poverty to service delivery and infrastructure backlogs. It is estimated that almost 80% of the District residents live in poverty¹, worsen by a high unemployment rate approximately 34%, according to Global Insight, 2006. Backlogs in service delivery are experienced in the following areas: water delivery, sanitation and electricity across the District.

The main contributors to the area's economy are agriculture, which generates approximately 28% of Gross Added Value (GAV), public service and administration 26%, services and retail 17%, and construction 8%.

With a view to realising its developmental mandate, the District through a series of representative forums and workshops identifies certain priority areas in its IDP in alignment with the four key cluster areas highlighted in the 2007/08 Free State Growth and Development Strategy (FSGDS):

Economic growth and employment: Development of agriculture, tourism, trade, mining and broad based black economic development.

Social and Human Development: Health services, environmental management, safety and security, disaster management, education and training, youth development, HIV/AIDS and transport, bulk water supply and sanitation.

Efficient governance and administration: Financial viability, intergovernmental relations, public participation and corporate governance.

Justice and crime prevention: More effective strategies to counter stock theft and a higher police presence and visibility.#

Chapter 2: Performance Highlights

The Municipal Planning and Performance Management Regulations (2001) in terms of the MSA sets the requirements for performance management out in detail. The Regulations also contain general KPIs which all municipalities must apply. The Municipality's performance against these general KPI's is discussed in this chapter. The performance of the municipality against the set key performance indicators for 2010/2011 financial year is discussed below:

2.1 Financial Performance

The bank statement reflects the actual bank balance of the Municipality at a specific date. The cash book balance is the difference between the total accumulated cash receipts up to a given date and the total accumulated cash payments up to the same date. The cash book balance is, therefore, the balance of what the bank balance should be had all payments the Municipality received to the date of the bank statement and all expenses incurred to that date been processed by the Municipality's bank.

It is therefore of the utmost importance to reconcile these two balances with each other on a regular basis which is currently on a monthly basis. We are striving towards performing these recons on a weekly basis. Failure to reconcile may lead to misleading reporting to management and the Council.

The Municipality's bank account opened with a positive balance of R216 506. On 1 July 2010 and closed with a positive balance of R1 347 005 on 30 June 2011. A significant portion of this balance is tied up in financial assistance funds received by the municipality towards the financial year end.

Table1: Bank and Cash Book Balances

1	Bank Balance 1/7/2010	R 216 506
2	Bank Balance 30/06/2011	R 1 347 005

1	Cash Book Balance 1/7/2010	R 216 256
2	Cash Book Balance 30/06/2011	R 1 232 640

The cashbook balance was R216 256 on 01 July 2010 and closed on 30 June 2011 with a favourable balance of R1 232 640.

The following table summarises the overall position on the capital and operating budgets.

Table 2: Overall Position Capital and Operating Budgets

	Capital Expenditure	Revenue	Operating Expenditure
Annual Budget 10/11	R1 326 242	R44 128 974	R42 802 731
Actual (30 June 11)	R4 876 926	R45 264 547	R37 396 868
Under/(Over) perform	(R3 550 684)	(R697 759)	R5 869 996

The above figures are explained in more detail throughout the report.

2.2 Capital Expenditure

The actual capital expenditure amounts to 367% of the annual budget which led to over spending of the capital budget by an amount of **R 3 550 684**. The over spending is mainly as a result of the GRAP conversion processes that involved capitalisation of certain items that were previously expensed off to the Statement of Financial Performance, and thus budgeted as such.

2.3 Operating Expenditure

Actual operating expenditure amounts to R37 396 868 for the year under review. These constitute 87% of the total operating expenditure budget of R42 802 731. An under spending of R5 869 996 at year end is attributable to late receipt of financial assistance funds as well as the over spending on the capital budget as discussed above. Most of the actual under spent funds on operating expenditure were committed to their related uses at year end as procurement processes were already started.

2.4 Revenue

An annual budget for the revenue amounted to R44 128 974. Actual revenue for the year amounted to R45 264 547. This resulted in a net over performance of R1 135 573 in respect of the revenue enhancement.

2.5 Personnel Expenses

Total employee related costs amounted to R19 819 479 (2010: R14 821 133) and Councillors allowances of R2 566 048 (2010: R2 385 759). These represented 92 % (2010: 109 %) and 102 % (2010: 100 %) of the budget allocations respectively.

2.6 Debtors Age Analysis

At year end, accounts receivable balance amounted to R3 175 788. 57% of the total balance was 90 days and older while 40% was 30 days and less old. However, more than 80% of the total receivables amount was received subsequent to the financial year end during the month of July 2011.

2.2.1 Non Financial Performance

2.2.2 Council

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
					MTAS	GGPP	No of ordinary Council meetings held	Speaker	
MTAS	GGPP	No of Mayoral Committee meetings held	EM	8	MAYCO sat on the 26 th of August 2010.	Two (2) – Ordinary MAYCO meeting was held on 28 th October 2010; and Special MAYCO meeting on the 9 th December	One Mayoral Committee meeting was held in this quarter	None	Target not achieved. MAYCO sat only five times.

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
						2010.			
MTAS	GGPP	% of council resolutions executed by management before the next ordinary council meeting	EM	100%	Council resolutions are fully implemented. Report on the execution of council resolutions has been forwarded to Council on the 31 st of August 2010.	Council resolutions are 100% implemented. The report on the execution of Council resolutions has been submitted to Council on the 25 January 2011.	100%	100%	Target achieved
MFMA ¹	GGPP	Budget process plan tabled in Council	EM	31-Aug-2010	Budget Process plan tabled in Council on the 31 st of August 2010.	Budget process plan was tabled before Council on the 31 st August 2010 and the 2011/2012 budget process plan would be submitted to Council before 31 st August 2011.	Budget process plan tabled in Council that was held on 31 st august 2010.	Budget process plan tabled in Council that was held in 31 st August 2010.	Target achieved
MSA ²	GGPP	Development of performance management	EM	31-Jul-2010	Performance Management systems have	Performance Management systems have	Compliance is monitored through the	Compliance is monitored through the	Target achieved

¹ [Municipal Finance Management Act \(No.56 of 2003\)](#)

² [Municipal Systems Act \(No.32 of 2000\)](#)

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		systems and monitoring of compliance (MSA Sec 39)			been developed and trainings are being conducted for the employees.	been developed and trainings are being conducted for the employees.	implementation plan of PMS	implementation plan of PMS	
PPMR	GGPP	Report to the Council on performance reviews/assessment of top management	EM	31/10/2010 31/01/2011 30/04/2011 31/07/2011	The performance review/assessment of top management has been done for this quarter.	The performance assessment of top management has not yet been done for this quarter.	Top management performance was not reviewed because the Municipality did not have evaluation committee as per the Performance Management Regulations of 2006.	Assessment and review of top Management will be done at the end of June 2011.	Target not achieved. Top Management was only assessed informally because Council did not have the committee that evaluates top management.
MFMA	GGPP	Mayor's report on the implementation of the budget and the financial state of affairs of the municipality to Council [MFMA, s. 52(d)]	EM	31/10/2010 31/01/2011 30/04/2011 31/07/2011	The report was submitted to Council on the 14 th of Dec 2010.	The report has been prepared for management use and would be submitted at the next Council meeting which would be held on the 25 th of January 2011.	This report was tabled before Council on the 31 st March 2011.	Report will be tabled before Council at the end of this quarter.	Target achieved.
MFMA	GGPP	Mid-year budget and performance report for	EM	31/01/2011	Not yet done: target 31 January 2011.	The Mid – year budget and performance			

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		01/07/2010 to 31/12/2010 tabled in the Council [MFMA, s. 54(1)(f)]				assessment report would be submitted to Council on the 25 th January 2011.	The Mid – year budget and performance assessment report would be submitted to Council on the 25 th January 2011.	The Mid – year budget and performance assessment report would be submitted to Council on the 25 th January 2011.	Target achieved
MFMA	GGPP	Annual report for 2009/10 tabled in the Council [MFMA, s. 127(2)]	EM	31/01/2011	There is a draft of the Annual report: Target is 31 January 2011.	A draft Annual Report was submitted to Council on the 14 th December 2010 and final Annual Report was submitted to Council on the 25 th January 2011.	Final Annual report for 2009/2010 submitted to Council on the 25 th of January 2011.	Final Annual report for 2009/2010 submitted to Council on the 25 th of January 2011.	Target achieved
MFMA	GGPP	Oversight report on the annual report for 2009/10 adopted by Council [MFMA, s. 129(1)]	Speaker	31/03/2011	Not yet done: target is 31 March 2011.	The report is not yet developed. It is targeted that it would be submitted to Council before the 31 st March	Oversight report on the annual report was presented and adopted by Council on 31 March 2011.	Oversight report on the annual report was presented and adopted by Council on 31 March 2011.	Target achieved

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
MFMA	GGPP	SDBIP for 2010/11 approved	EM	Within 28 days after approval of the budget	SDBIP approved by the Mayor on the 15 th of July 2010; approved by Council on the 31 st of August 2010.	2011. The SDBIP was approved by the Mayor on the 15 th of July 2010 and by Council on the 31 st of August 2010.	The SDBIP was approved by the Mayor on the 15 th of July 2010 and by Council on the 31 st of August 2010.	The SDBIP was approved by the Mayor on the 15 th of July 2010 and by Council on the 31 st of August 2010.	Target achieved
MSA	GGPP	Annual performance agreement for 2010/11 entered into with the Municipal Manager	EM	31/07/2010	MM signed his performance agreement with the Municipality on the 13 th of July 2010. A copy of this document has been forwarded to the office of the MEC of COGTA.	MM signed his performance agreement with the Municipality on the 13 th of July 2010. A copy of this document has been forwarded to the office of the MEC of COGTA.	MM signed his performance agreement with the Municipality on the 13 th of July 2010. A copy of this document has been forwarded to the office of the MEC of COGTA.	MM signed his performance agreement with the Municipality on the 13 th of July 2010. A copy of this document has been forwarded to the office of the MEC of COGTA.	Target achieved
MFMA	GGPP	Audit committee appointed and operational (MFMA Sec 166(2)).	EM	31 August 2010	Audit Committee appointed 01 September 2009 and still functional.	Audit Committee was appointed on 1 st September 2009 and was functional until it was it dissolved by Council on the 14 th	Audit Committee was appointed on 31 March 2011.	No audit committee meeting was held in this quarter. Meeting scheduled for July 2011.	Audit Committee was appointed on 1 st September 2009 and was functional until it was it dissolved by Council on the 14 th December 2011. A new

Source	KPA	Key Performance Indicator	Program me Driver	Target	1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
						December 2011.			Audit Committee has been appointed.
MTAS	GGPP	No of ward committees trained by 30-November-2010	Speaker	17	Not yet done	Not done for this quarter.	None	None	Target not achieved
MTAS	GGPP	District induction workshop for LM's held by 31-Jul-2010	Speaker	1	Not yet done.	Not done for this quarter.	None	None	Target not achieved
MTAS	GGPP	No successful outreach programmes held by 30-Dec-2010	EM	3	Not yet done	Not done for this quarter.	None	None	Target not achieved
MTAS	GGPP	No of meetings held with the farming community	EM	1	Not yet done	Not done for this quarter.	None	None	Target not achieved
MTAS	GGPP	No of successful farming outreach programmes	EM	3	Not yet done	Not done for this quarter.	None	None	Target not achieved
MTAS	GGPP	No izimbizo's held in collaboration with LM's and sector departments	EM	4 by 31-Dec-2010	Not yet done	Not done for this quarter	None	None	Target not achieved

2.2.3 Organisational

Source	KPA	Key Performance Indicator	Responsible Department	Target	Actual Performance				
					1 ST Quarter	2 ND Quarter	3 rd Quarter	4 th Quarter	Variance
PPMR ³	BSD ⁴	The percentage of households with access to basic level of water	Planning & Development						
PPMR	BSD	The percentage of households with access to basic level of sanitation	Planning & Development						
PPMR	BSD	The percentage of households with access to basic level of electricity	Planning & Development						
PPMR	BSD	The percentage of households with access to basic level of solid waste removal	Planning & Development						
PPMR	BSD	The percentage of households earning less than R1100 per month with access to free basic services	Planning & Development						
PPMR	BSD	The percentage of the capital budget actually spent on capital projects identified the integrated development plan	Planning & Development	98%	-	-	-	100%	Target achieved
IDP ⁵	GGPP ⁶	No of public hearings held during the review of the IDP for 2011/12	MM	3	This activity has not yet unfolded	This activity has not yet unfolded	Three public hearing meetings were held together with	Three public hearing meetings were held together with the	Target achieved

³ Local Government: Municipal Planning and Performance Management Regulations, 2001

⁴ Basic Service Delivery

⁵ Integrated Development Plan

⁶ Good Governance and Public Participation

Source	KPA	Key Performance Indicator	Responsible Department	Target	Actual Performance				
					1 ST Quarter	2 ND Quarter	3 rd Quarter	4 th Quarter	Variance
							the budget.	budget	
MPPR	GGPP	No of public hearings and consultation sessions held during review of the KPIs and performance targets for 2011/12	MM	3	This activity has not yet unfolded	This activity has not yet unfolded	Three public hearing meetings were held together with the budget and IDP, because the performance of the municipality is managed in terms of its IDP.	Three public hearing meetings were held together with the budget and IDP, because the performance of the municipality is managed in terms of its IDP.	Target achieved
IDP	GGPP	No of public hearings and consultation sessions held during preparation of the budget for 2011/12	MM	3	This activity has not yet unfolded	This activity has not yet unfolded	Three public hearings were held in the following areas: Springfontein; 28 April 2011; Petrusburg-3 May 2011 and Rouxville -4 May 2011. These meeting were held for both the IDP and the	Three public hearings were held in the following areas: Springfontein; 28 April 2011; Petrusburg-3 May 2011 and Rouxville -4 May 2011. These meeting were held for both the IDP and the	Target achieved

Source	KPA	Key Performance Indicator	Responsible Department	Target	Actual Performance				
					1 ST Quarter	2 ND Quarter	3 rd Quarter	4 th Quarter	Variance
							preparation of the budget	preparation of the budget	
IDP	GGPP	No of public hearings and consultation sessions held to measure performance results for 2010/11	MM	3	This activity has not yet unfolded	This activity has not yet unfolded	None	None. The Annual and the oversight report of the Municipality were put on all units of all 17 towns in the district. Comments were invited from communities through notices. These documents were also placed on the municipal website.	The Annual and the oversight report of the Municipality were put on all units of all 17 towns in the district. Comments were invited from communities through notices. These documents were also placed on the municipal website.
PPMR	LED ⁷	The number of jobs created through the municipality's local economic development initiatives including capital projects	Planning & Development						

⁷ Local Economic Development

Source	KPA	Key Performance Indicator	Responsible Department	Target	Actual Performance				
					1 ST Quarter	2 ND Quarter	3 rd Quarter	4 th Quarter	Variance
MTAS ⁸	MFVM ⁹	% increase in revenue generated	CFO	2.5%	20% R37 million to 44 million.	Decreased by 2.46%	0%	18,97%	
PPMR	MFVM	Debt coverage ratio	CFO	>1	No debts	2.51	7.13	>1	
PPMR	MFVM	Outstanding service debtors to revenue ratio	CFO	56 days	No service debtors	No service debtors	16	365	
PPMR	MFVM	Cost coverage ratio	CFO	>1	We meet operating obligation	We meet operating obligation		>1	
	MFVM	Liquidity ratio	CFO	>1	No liabilities	No liabilities	3.5	>1	
	MFVM	Solvency ratio	CFO	>1	No long term liabilities	No long term liabilities	6	>1	
MTAS	MFVM	No of audit queries received regarding irregular, unauthorised and fruitless and wasteful expenditure	CFO	0	0	5(140; 143;166;164;129)	0	0	
MTAS	MFVM	% variation from approved budget allocation per vote	CFO	10%	GC,MM=11% PD= 16%	CS=3%;GC=25 PD=-1% BTO=2% MM=2%	20%	0%	
MTAS	MFVM	Unqualified audit opinion	Unqualified audit opinion	All Departments	The AG has not yet given his audit opinion	The AG has not yet given his audit opinion	The AG has not yet given his audit opinion	The AG has not yet given his audit opinion for the 2010/2011	The AG has not yet given his audit opinion for the 2010/2011

⁸ Municipal Turn Around Strategy dd 14 May 2010

⁹ Municipal Financial Viability & Management

Source	KPA	Key Performance Indicator	Responsible Department	Target	Actual Performance				
					1 ST Quarter	2 ND Quarter	3 rd Quarter	4 th Quarter	Variance
								financial year.	financial year.
PPMR	MTID ¹⁰	The number of people from employment equity target groups employed in the three highest levels of management	DCS	95%	9%	9%	16,7% out of twelve managers only two are females.	Out of 12 filled posts 2 female are employed in the three highest levels of management which is 16,6%	Target not achieved
PPMR	MTID	The percentage of a Municipality's budget actually spent on implementing its workplace skills plan	DCS	1%	0.8%	1%=R4279904/R3706920	74%	2% of the budget was spent on implementing its workplace skills plan.	Target achieved

¹⁰ Municipal Transformation and Institutional Development

2.2.4 Corporate Services

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
PPMR	BSD	Monitor projects undertaken by the department by setting performance indicators for each projects (PPMR Sec 9(2)(b))	DCS	Project performance report available	Projects in this department are regularly monitored. Steering committee meetings are held regularly to report on the progress of the project (Refurbishment of XDM building)	Site meetings were held regularly as agreed to monitor and evaluate progress made on the refurbishment of the building.	Site inspections were conducted and site meetings were held to discuss deficiencies identified on the projects.	The project on the refurbishment of the building was completed in the third quarter.	No KPI's and targets were set for the project but the project was monitored through site meetings.
MTAS	GGPP	No of reports submitted to MM regarding the execution of council and management decisions	MM	4	1 report regarding the execution of council and management decisions has been submitted to the MM.	The execution list of the meeting of Council that was held on the 14 th of December 2010 has been submitted to the MM.	The report regarding the implantation of resolutions of Council meeting that was held on the 25 th of January 2011 was submitted to the office of the MM.	The report regarding the execution of Council and management decisions have been submitted to the Municipal Manager.	Target achieved
MTAS	GGPP	Upload and update municipal website regularly and comply with s	DCS	Fully compliant website at all times	Not fully compliant. The ICT Officer has been sent to a	The website is fully functional and updated.	The website is fully functional and updated.	The website is updated regularly and is fully	The website is updated regularly and is fully

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		21B of the Systems Act and s 75 of the MFMA			website development training in September 2010 and is currently updating the website. ICT Division has requested all the departments to submit the relevant information to them so that it can be loaded into to the website.			functional.	functional.
IDP	LED	No of youth initiatives launched in terms of the youth development strategy	DCS & YDO	2	None::The Youth Development Division is in the process	Youth Development strategy has not yet been developed, hence there are no youth initiatives that have been launched in terms of YDS.	No youth Development initiatives were started in this quarter that relates to Youth Development Strategy.	None	Target not achieved. The Municipality has not yet developed a youth development strategy. The process of development of the strategy was stalled by the resignation of the YDO. The position has not yet

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
									been filled.
IDP	MTID	No of CS employees trained in terms of approved WSP (R571 of 22 June 2001)	DCS	9	4 employees have been trained according to the WSP, others will be trained later due to financial constraints.	Four (4) employees were trained during the period in question.	None	None	Target partially achieved. 8 employees have been trained according to the WSP, others will be trained in the new financial year due to financial constraints.
MTAS	MTID	% of council resolutions implemented that was referred to the HOD for execution	DCS	100%	100%	100%	100%	All Council resolutions that were referred to the HOD were implemented.	Target achieved
MTAS	MTID	All external audit queries answered within 14 days	DCS	14 days	All queries are attended to within 5 working days.	External audit queries were addressed within 5 working days.	No external audit queries were answered in the period in question as there were no queries received from the office of the Auditor General.	No audit queries were received from external state organs for this quarter.	No external audit queries were answered in the period in question as there were no queries received from the office of the Auditor General.
MTAS	MTID	% of	DCS	100%	100%	No vacancies were	The posts of Audit	The Following	Target achieved

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		appointments made within 3 months after advertisement				advertised in this quarter.	Committee members and Internal Auditor were advertised and filled within 3 months, except the post of the Manager: Human Resources.	posts were advertised on the 7 th February 2011: <ul style="list-style-type: none"> • Director: Planning and Development • Environmental Health practitioner; and • Audit Committee Audit Committee and Environmental Health Practitioner have been appointed.	
MTAS	MTID	No of performance reports submitted to the MM regarding the	DCS	Quarterly reports	Performance of this department has been reported for this quarter. Report submitted	Performance report in the form of a score card was prepared and submitted to the	Performance report in the form of a score card was prepared and submitted to the	Performance report in the form of a score card was prepared and submitted to the	Target achieved

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		implementation of the department's PMS (MSA Sec 38 and 39)			to the MM.	office of the Municipal Manager.	office of the Municipal Manager through the division of PMS.	office of the Municipal Manager through the division of PMS.	
EEA ¹¹	MTID	Submission of employment equity plan (EEA Sec 20)	DCS	30-Sept-2010	Not yet submitted. Will be submitted to the Department of Labour on line before the 30 Oct 2010.	The Employment Equity plan was submitted online to the Department of Labour.	The Employment Equity plan was submitted online to the Department of Labour.	The Employment Equity plan was submitted online to the Department of Labour.	Target achieved. The Employment Equity plan was submitted online to the Department of Labour. The closing date for online submissions is January.
SDLA ¹²	MTID	Percentage of skills development levy claimed back from skills development fund (SDL Act & Reg)	DCS	1%	0%: Awaiting LGSETA to process the submitted claim.	24,8% of skills development levy was claimed back from the SDL.	No skill levy claim was received during the period in question.	No Skill Development Levy was received or claimed from LGSETA	Target achieved. 24,8 %of skills development levy was claimed back from the SDL for the 2010/2011 financial year.
SDA ¹³	MTID	Skills Development Plan	DCS	30-Apr-2011	The WSP has been submitted to	Skills development plan will be	The WSP was not yet reviewed	The Skill Development Plan	The Skill Development Plan

¹¹ Employment Equity Act 55 of 1998

¹² Skills Development Levies Act No 9 of 1999

¹³ Skills Development Act 97 of 1998

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		(WSP) reviewed (SDA97 OF 1998)			LGSETA on the 30 June 2010, will be reviewed before target date.	reviewed in March 2011, after Skills audit has been conducted.	during this period. The SDF would start with the process of the review in the fourth quarter, starting from April	was developed and sent together with the WSP to LGSETA on the 24 June 2011	was developed and sent together with the WSP to LGSETA on the 24 June 2011
MTAS	MTID	Annual training report (SDA 97 OF 1998)	DCS	30-Jun-2011	Not yet done; target date is 30 June 2011.	Annual training report is part of the WSP and was submitted to the LGSETA on the 30 th of June 2010. The annual training report for 2010/2011 will be compiled and submitted to the LGSETA before 30 June 2011.	Annual training report is part of the WSP and was submitted to the LGSETA on the 30 th of June 2010. The annual training report for 2010/2011 will be compiled and submitted to the LGSETA before 30 June 2011.	Annual training report is part of the WSP and was submitted to the LGSETA on the 24 th of June 2011.	Target achieved
SDA	MTID	No queries received from IA or AG regarding incompleteness of employee records	DCS	0	No Audit queries were raised by IA or AG regarding incompleteness of employee records for this quarter.	No Audit queries were raised by IA or AG regarding incompleteness of employee records for this quarter.	No Audit queries were raised by IA or AG regarding incompleteness of employee records for this quarter.	No queries were received from the IA or AG regarding the incompleteness of employees' records.	Target achieved

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
OHSA 14	MTID	Monthly health and safety committee meetings held as required by the Occupational Health and Safety Act 55 of 1995	DCS	11	The Municipality has only one Health and safety Rep as the institution is composed of less than 100 employees	The Municipality has only one Health and safety Rep as the institution is composed of less than 100 employees	No monthly Health and safety meetings were held for the period in question. The department has requested the Labour Department to come and conduct a workshop for us on OHS on the 26 th of May 2011.	The Municipality has only one Health and safety Rep as the institution is composed of less than 100 employees. It is therefore not feasible for the Municipality to hold monthly Health and Safety Committee meetings.	The Municipality has only one Health and safety Rep as the institution is composed of less than 100 employees. It is therefore not feasible for the Municipality to hold monthly Health and Safety Committee meetings. We only learned that the municipality is not required to have a Health and Safety Committee after we received training from the Department of Health.
OHSA	MTID	No of health and safety inspections carried out in terms of the Occupational Health and Safety	DCS	2	No health and safety inspections were carried out by the municipality in this quarter in terms of OHS Act	No health and safety inspections were carried out by the municipality in this quarter in terms of OHS Act	No health and safety inspections were carried out by the municipality in this quarter in terms of OHS Act	No health and safety inspections were carried out by the municipality in this quarter in terms of OHS Act	The Municipality was waiting for the Department of Labour to train our Health and Safety Rep and selected

¹⁴ Occupational Health and Safety Act 55 Of 1995

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		Act 55 Of 1995			of 1995.	of 1995.	of 1995.	of 1995. The Health and Safety Rep will be appointed in July 2011.	officials on health and safety matters and how to conduct quarterly inspections. Health and Safety Rep will start to carry out inspections in the new financial year
OHSA	MTID	Compliance with all aspects regarding work related injuries as required by the Occupational Health and Safety Act 55 Of 1995	DCS	100% Compliance	0% compliance: There were occurrences of injuries in the quarter in question	There were occurrences of injuries in the quarter in question	No work related injuries were reported in the period in question.	There were no occurrences of injuries in the quarter in question	It is only in the 2 nd quarter were injuries were reported whereby a filling cabinet fell on an employee. She was taken to a doctor for examination and it was found that she did not sustain any injuries.
MTAS	MTID	No LLF meetings planned	DCS	6	LLF planned to have 3 meetings in this quarter.	LLF planned to have 3 meetings in this quarter.	LLF planned to have 3 meetings in this quarter.	LLF planned to have 3 meetings in this quarter.	A schedule of LLF meetings was developed to regulate the sitting of LLF meetings. LLF meeting did not materialised

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
									because of the non corporation of the labour component.
MTAS	MTID	No of LLF meetings held	DCS	6	0: The work commitments of LLF members make it difficult for the LLF to sit as planned.	There was no meeting held for the quarter in question. The labour component is not corporative.	There was no meeting held for the quarter in question. The labour component is not corporative.	None	LLF meetings were not sitting as scheduled because the labour component was not corporative. However the management is engaging them. A schedule for 2011/2012 has been developed and the labour was once more engaged.
IDP	MTID	No of performance appraisals conducted in the department	DCS	4	No performance appraisals reports are available for this quarter; departments are still getting training on EPAS. There will be reports in the next coming quarters as EPAS would have achieved its full	No performance appraisals reports were prepared for this quarter as the employees are still being trained on EPAS. There will be reports in the next coming quarters as EPAS training would have been	No performance appraisals reports were prepared for this quarter as the employees are still being trained on EPAS. Performance appraisals would be implemented from the 01 st of July 2011.	No performance appraisals reports are available for this quarter as EPAS will be implemented in the new financial year.	The municipality was busy putting systems in place and conducting workshops on EPAS. All employees were trained on EPAS. Performance appraisals will be conducted in the new financial year

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
					implementation.	completed.			2011/2012.

2.2.5 Planning and Development

Source	KPA	KPI	Programme Driver	Target	Actual Performance		3 rd Quarter	4 th Quarter	Variance
					1 st Quarter	2 nd Quarter			
PPMR	BSD	Monitor projects undertaken by the municipality by setting performance indicators for each projects (PPMR Sec 9(2)(b))	DPD	Project performance report available	We did have projects and been monitored regularly by having regular site meetings	We did have projects and been monitored regularly by having regular site meetings	Projects were monitored regularly by means of having regular site meetings	We did have projects and been monitored regularly by having regular site meetings	Projects were monitored but no performance indicators and targets were set.
IDP	BSD	R expenditure on the greening of towns	DPD	R1.5 million	0	0	0	0	The project was not budgeted for, therefore budgeting will be out sourced

Source	KPA	KPI	Programme Driver	Target	Actual Performance			4 th Quarter	Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter		
									from external stakeholders.
IDP	BSD	No of environmental support meetings attended with local municipalities	DPD	6	2	5	3 environmental support meetings were attended with local municipalities.	0	Target was exceeded due to the devolution process.
EHP ¹⁵	BSD	Number of air quality related complaints received	DPD	9	1	4	0	6 (telephonically)	There is a variance due to seasonal changes.
EHP	BSD	No of these for which there was enforcement action	DPD	4	0	0	0	0	
EHP	BSD	Number of incidents of illegal dumping	DPD	15	5	13	0	1	There are no by-laws in

¹⁵ Environmental Health Plan

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
									place.
EHP	BSD	No of incidents of illegal dumping for which enforcement action was taken	DPD	8	0	0	0	0	There was no EHP's available in Kopanong , therefore there was no monitoring
EHP	BSD	No of R918 certificates issued for food premises	DPD	30	13	21	2 (two) R918 certificates issued to food premises.	10	The variance is due to an increase in informal food premises
EHP	BSD	No of notices issued to food premises for non-compliance	DPD	35	29	31	4 notices issued to food premises for non-compliance	36	Increase is due the newly appointed EHP's, therefore monitoring has increased (Number of notices issued

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter		
								has also increased.	
EHP	BSD	Rand spent on environmental education and awareness raising	DPD	R45 000	R25 000	0	R49 360.00 spent during the water week in Phillipolis.	R10 830.00	
EHP	BSD	No of environmental health education programmes/projects	DPD	15	12	14	9 environmental health education programmes/projects were executed.	8	There were more environmental health events in the month of September 2011
EHP	BSD	No of persons attending health education programmes/projects	DPD	400	500	1750	1450 people attended the health education programmes/projects 397- school 12- Hawkers 21- Food handler 1000- community	700(photos of events).	Submissions have been made to COGTA and Free State land affairs but no funding has been made
IDP	BSD	No of personnel recruited for disaster management and rescue services	DPD						

Source	KPA	KPI	Programme Driver	Target	Actual Performance			4 th Quarter	Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter		
IDP	BSD	R expenditure on the establishment of the disaster management centre	DPD	R12 million	0	Await final product of the business – plan for submission	The business plan for the disaster management centre has been submitted to the Free state Land affairs & COGTA for funding.	Business plan and the guidelines for the establishment of Xhariep Disaster management centre were submitted to both the office of the Premier and the HOD of COGTA for funding.	Target not achieved due to the fact that Service providers were appointed but after the due date of the target.
IDP	BSD	Disaster management plan reviewed	DPD	30-Jun-2011	31 March 2010	Disaster Management plan not yet reviewed	Disaster Management plan not yet reviewed	The service provider has been appointed to start on the 10 th of August 2011.	Target not achieved
IDP	BSD	No of municipal disaster management advisory forum meetings held (section 51 of the Disaster Management Act 2002)	DPD	6	3	2	0	0	Target not achieved due to non availability of stakeholders.

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
MTAS	BSD	No of disaster management progress reports submitted to management	Disaster Manager	8	2	3	4 disaster management progress reports were submitted to management.	3	Target over performed due to several joint operations committee meetings
MTAS	BSD	No of disaster management progress reports submitted to Council	Disaster Manager	4	1	4	4 disaster management progress reports were submitted to Council.	5	Target over performed due to several joint operations committee meetings
	BSD	No of Disaster Management awareness sessions held in the District	DPD	4	1	1	0	1	Target not achieved due to non availability of stakeholders
MTAS	BSD	Water quality monitoring and management plan developed by September 2010	DPD	Sept 2010	To be developed	Plan developed but not approved by Council yet	Plan developed but not approved by Council yet	Developed awaiting approval of Council.	The devolution process was not yet finalised, therefore other towns could not be included.

Source	KPA	KPI	Programme Driver	Target	Actual Performance			4 th Quarter	Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter		
MTAS	BSD	Blue drop compliant water quality achieved by March 2011	DPD	31-Mar-2011	January 42,5%Letsemeng 60% Kopanong 54% Mohokare	Water results still to come	Water results still to come.	O(refer to 2 nd and 3 rd quarter)	The status of the water results has improved
MTAS	BSD	No of water awareness campaigns conducted	DPD	4	3	5	6 water awareness campaigns	0	Target over performed due to the appointment of new EHP's, all local municipalities were conducting their own campaigns.
MTAS	BSD	No of monthly water quality reports submitted to Management	DPD	8	2	7	6 water quality reports submitted to management	3	Reports were based on the number of campaigns

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
									conducted
MTAS	BSD	No of quarterly water quality reports submitted to Council	DPD	4	1	3	2 water quality reports submitted to Council	0	Reports were based on the number of campaigns conducted
MTAS	BSD	No of Green Drop Sanitation awareness campaigns conducted	Environmental Health Manager	6	2	4	3 green drop sanitation awareness campaigns conducted	2	Target over performed due to the newly appointed EHP's, therefore monitoring increased

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter		
MTAS	BSD	No of monthly sanitation quality reports submitted to Management	Environmental Health Manager	8	1	8	6 sanitation quality reports submitted to management	2	Target over performed due to the newly appointed EHP's, therefore monitoring increased
MTAS	BSD	No of quarterly sanitation quality reports submitted to Council	Environmental Health Manager	4	1	3	2 sanitation quality reports submitted to Council	0	Target over performed due to the newly appointed EHP's, therefore monitoring increased

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter		
MTAS	BSD	No of District Energy Forum Meetings held by 30 Jul 2010	DPD	1	1	2	1 district energy forum meeting held	0	Target over performed due to electricity backlogs in the local municipalities.
MTAS	BSD	No of monthly DEF ¹⁶ reports submitted to Management	DPD	11	1	2	1	0	Target not achieved because DEF is quarterly
MTAS	BSD	No of quarterly DEF quality reports submitted to Council	DPD	4	0	0	0 1	0	Target not achieved. The budget was used for product development training.

¹⁶ District Energy Forum

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
MTAS	BSD	No of IWMP ¹⁷ monitoring reports submitted to management	Environmental Health Manager	11	2	3	0	0	Target not achieved. Program was suspended and the services providers were appointed by the Department of Environmental Affairs.
MTAS	BSD	No of IWMP monitoring reports submitted to council	Environmental Health Manager	4	1	2	0	0	Target not achieved
MTAS	BSD	No of land fill sites registered by 30 December 2010	Environmental Health Manager	1 by 30-Dec-2010	0	3 of Letsemeng are in the	3 of Letsemeng are in the process; Department	0	Target over performed

¹⁷ Integrated Waste Management Plan

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter		
						process; Department Environment has conducted an Audit to all Landfill Filter	Environment has conducted an Audit to all Landfill Filter		
MTAS	BSD	No of Municipal Health Services reports regarding the process of taking over the service from the LM'Ss submitted to Council	DPD	4	2	2	1(one) Municipal Health services report. The devolution process has been finalised and all LM`s have devoted.	The process has been finalised in March 2011.	Target achieved
MTAS	BSD	No of LED forums held by 30 Nov 2010	Manager IDP	4	2	1	0	0	Target not achieved due to non availability of the relevant stakeholders.
MTAS	BSD	No of LED implementation reports submitted to management	DPD	10	3	5	2 LED implementation reports submitted to management	6	Target over performed

Source	KPA	KPI	Programme Driver	Target	Actual Performance			Variance	
					1 ST Quarter	2 nd Quarter	3 rd Quarter		
MTAS	BSD	No of LED implementation reports submitted to Council	DPD	10	3	5	2 LED implementation reports submitted to Council.	0	Target achieved.
MTAS	GGPP	No of reports submitted to MM regarding the execution of council and management decisions	DPD	4	1	5	1 report was submitted to the MM regarding the execution of council and management decisions.	6	Target over-achieved due to implementation of projects that needed to be finalized with Management.
IDP	LED	No of meetings District Tourism Forum	DPD	4	0	1	0	0	Target not achieved due to an integration of LED and Tourism forum
IDP	LED	No of SMME's supported during the financial year	DPD	20	5	38	0	30	Target over-achieved due to partnership

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
									formed with other stakeholders.
IDP	LED	No of SMME's trained to increase their skills	DPD	40	25	38	0	0	Target over-achieved due to partnership formed with other stakeholders.
IDP	LED	No of sector oriented training/skills interventions held	DPD		-	-	-	-	-
IDP	LED	No of persons attending the tourism awareness campaign	DPD	45	600	0	0	0	Target over-achieved due to tourism month campaigns held & mobilisation of stakeholders
IDP	LED	No of Tourism awareness campaigns	DPD	35	2	0	0	0	Target not

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
		conducted							achieved..
IDP	LED	No of tourism establishments attending the grading exhibition	DPD	20	0	0	0	0	Target not achieved.The budget was used for product development training.
IDP	LED	No of persons attending the LED summit	DPD	150	A date is not yet been scheduled for the LED summit	Summit is yet to be convened	0	0	Summit was postponed due to financial constrains.
MTAS	MTID	No of Planning and Development employees trained in terms of approved WSP (R571 of 22 June 2001)	DPD		-	-	-	-	-
IDP	MTID	No of performance appraisals conducted in the department	DCS	4	No performance appraisals held for this quarter, departments are still getting training on	None	No performance appraisals held for this quarter, departments are still getting training on	None: EPAS will be implemented in the new financial year	No performance appraisals were conducted in the department

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
					EPAS.		EPAS. EPAS will be implemented as from the 01 st of July 2011.	2011/2012.	as EPAS will only be implemented in the new financial year 2011.2012.
MTAS	MTID	% of council resolutions implemented that was referred to the HOD for execution	DPD	100%	100%	100%	100%	100%	All Council resolutions that were referred to the HOD were all implemented.
IDP	MTID	Annual review of SDF	DPD	30-Jun-2011	Compiled and adopted by council on 31 Aug 2010	Compiled and adopted by council on 31 Aug 2010	Compiled and adopted by council on 31 Aug 2010	Compiled and adopted by council on 31 Aug 2010	Target achieved
IDP	MTID	Compilation of Xhariep spatial map	DPD	30-Jun-2011	Part of SDF	Part of SDF	Part of SDF	Part of SDF	Spatial map forms part of the SDF that was adopted by Council on 31 Aug 2010.
MTAS	MTID	Management of external audit queries by ensuring that all queries are answered within 14 days	DPD	100%	All queries were attended to by management within 5 working days	All queries were attended to by management within 5 working days	No external audit queries were answered in the period in question as there were no queries from the AG	No external audit queries were answered in the period in question as there were no queries from the AG	Target achieved

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
MTAS	MTID	% of appointments made within 3 months after advertisement	DPD	100%	100%	100%	There were no vacancies for this department in this quarter in question.	100%	Target achieved
MTAS	MTID	No of performance reports submitted to the MM regarding the implementation of the department's PMS (MSA Sec 38 and 39)	DPD	Quarterly	1 Report was compiled and submitted to Municipal Manager	1 Report was compiled and submitted to Municipal Manager	1 Report was compiled and submitted to Municipal Manager	1 Report was compiled and submitted to Municipal Manager	Target achieved

2.2.6 Financial Services

Source	KPA	KPI	Programme Driver	Target	Actual Performance				Variance
					1 ST Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
MTAS	GGPP	No of reports submitted to MM regarding the execution of council and management decisions	CFO	4	1	1	1	1	Target achieved
MTAS	MFMV	No of quarterly revenue	CFO	2	0				

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Variance
		enhancement implementation reports submitted to management and Council				0	0	3	Target Achieved
MFMA	MFVM	Monthly budget statements submitted to the MM [MFMA, s 71]		12	3	3	3	3	Target Achieved
MFMA	MFVM	Compilation of annual financial statements for 2009/10	CFO	30-Aug-2010	AFS compiled and submitted to AG for audit on 31 Aug 2010	AFS compiled and submitted to AG for audit on 31 Aug 2010	AFS compiled and submitted to AG for audit on 31 Aug 2010	AFS compiled and submitted to AG for audit on 31 Aug 2010	Target Achieved
IDP	MFVM	Realistic and comprehensive draft financial plan prepared and incorporated in the IDP for 2011/12	CFO	28-Feb-2011	Target is 28 Feb2011	In progress	Completed 31 March 2011	Completed 31 March 2011	Target achieved
MTAS	MFMV	R value of rent collected from Kopanong LM	CFO	R 300 000.00	0	0	0	0	Not achieved yet but KLM paid R1 237 893.09 in July 2011
MTAS	MFMV	R value of rent collected from SASSA	CFO	R150 000	0	0	Contract not yet signed and office space not yet occupied.	0	SASSA never occupied the space, however Basil Read was billed R50 000 in respect.
MTAS	MFMV	No of staff trained	CFO	3	0				

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Variance
		on cash flow management				0	0	4	Target Achieved
MTAS	MFMV	% variation from cash flow management model	CFO	10%	0	9	No deviations recorded or noted.	No deviations recorded or noted.	Target Achieved
MFMA	MFVM	SDBIP reporting to council and MM	CFO	4	1	1	SDBIP was reviewed in January 2011 during the adjustment budget.	1	Target Achieved
SCMP ¹⁸	MTID	No of queries received from the IA and AG regarding non-compliance with the supply chain management policy	CFO	0	Few	9	Internal Auditor and AG have not yet performed any audit for 2010/2011 financial year.	Internal Auditor and AG have not yet performed any audit for 2010/2011 financial year.	Not achieved. All non-compliances are reported accordingly as required. Also taken to council condoning.
MTAS	MTID	% of council resolutions implemented that was referred to the HOD for execution	CFO	100%	100%	80%	100%	100%	Target Achieved
MTAS	MTID	Management of external audit queries by ensuring that all queries are answered	CFO	100%	100%	80%	Internal Auditor and AG have not yet performed any	?	Target achieved. All queries attended in 5 days

¹⁸ Supply chain management policy

Source	KPA	KPI	Program e Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Variance
		within 14 days					audit for 2010/2011 financial year.		
MTAS	MTID	% reduction in audit queries received from previous years	CFO	5%	5%	3%	5%	16.84%	Not yet available, hand out from AG in Nov 2011
MTAS	MTID	% of appointments made within 3 months after advertisement	CFO	% of appointments	2 Interns	None	0%	None	Target Achieved
MTAS	MTID	No of performance reports submitted to the MM regarding the implementation of the department's PMS (MSA Sec 38 and 39)	CFO	4	1	1	1	1	Target Achieved
IDP	MTID	No of performance appraisals conducted in the department	DCS	4	0: Departments are still getting training on the EPAS.	None	EPAS is not yet implemented; employees are getting trained on EPAS.	0	No performance appraisals were conducted in the department as EPAS will only be implemented in the new financial year 2011/2011.

2.2.7 Municipal Manager

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
PPMR	BSD	Appropriate performance indicators and performance targets are set for supplier performance for each contract awarded through the supply chain management system	Performance Unit	Project performance report available	The Office of the MM does not have projects for this quarter.	The Office of the MM does not have projects for this quarter.	No KPI's and targets were set for the project on the implementation of the Employee Performance Appraisals System (EPAS). A closeout report of the project is available and attendance registers.	No KPI's and targets were set for the project on the implementation of the Employee Performance Appraisals System (EPAS). A closeout report of the project is available and attendance registers.	No KPI's and targets were set for the project on the implementation of the Employee Performance Appraisals System (EPAS). Appropriate performance indicators and performance targets are going to be set for any projects that will be initiated in the office of the Municipal Manager in future through the supply chain management

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
									system.
MTAS	GGPP	No of reports submitted to Council regarding the execution of council decisions	MM	4	A report regarding the execution list for the 1 st quarter was submitted to Council on 31 st August 2010.	A report regarding the execution list for the 2 nd quarter was submitted to Council on the 25 th of January 2011.	A report regarding the execution list for the 3 rd quarter was submitted to Council on 31 st of March 2011.	A report regarding the execution of Council resolutions was tabled before Council on the 13 th of May 2011.	Target achieved
MSA	GGPP	Annual performance agreement for 2010/11 entered into with each of the managers who are directly accountable to the municipal manager	MM	31/07/2010	MM and Managers who are directly accountable to him signed annual Performance agreements for 2010/2011 on the 13 th of July 2010. Copies of these documents were forwarded to the MEC of COGTA.	MM and Managers who are directly accountable to him signed annual performance agreements for 2010/2011 on the 13 th of July 2010. Copies of these documents were forwarded to the MEC of COGTA.	MM and Managers who are directly accountable to him signed annual performance agreements for 2010/2011 on the 13 th of July 2010. Copies of these documents were forwarded to the MEC of COGTA.	MM and Managers directly accountable to him signed annual performance agreements for the 2010/2011 financial year on the 13 th of July 2010. Copies of these documents were forwarded to the MEC of COGTA.	Target achieved
PPMR	GGPP	Internal audit reports on the	IA	31/10/2010 31/01/2011	There is no Internal Audit		One (1) Internal Audit report on	One (1) Internal Audit report on the functionality	There is only two Internal Audit reports on

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		functionality of the PMS, compliance of the PMS with relevant legislation and the reliability of performance measurements submitted to the audit committee/performance audit committee [MPPMR, r 14(1)(c)]		30/04/2011 31/07/2011	report on the functionality and compliance of the PMS for this quarter; Internal Auditor on suspension.	There is no Internal Audit report on the functionality and compliance of the PMS for this quarter; Internal Auditor on suspension.	the functionality and compliance of the PMS has been compiled for this quarter.	and compliance of the PMS has been compiled for this quarter.	the functionality and compliance of the PMS as the Internal auditor was on suspension and dismissed in the first two quarters. A new Internal Auditor is appointed in during the 3 rd quarter.
PPMR	GGPP	Audit/performance audit committee's audit reports submitted to the Council [MPPMR, r. 14(4)(a)]	MM	31/01/2011 31/07/2011	Not yet done: target is 31/01/2011	Not yet done: Audit Committee dissolved on the 14th of December 2010.	The Municipality has not yet appointed an Audit Committee.	No Audit Committee audit reports were submitted to Council in this quarter. Audit Committee was dissolved in December 2010. A new Audit Committee was appointed in this quarter in	No audit committee's audit reports were submitted to Council in this financial year. Audit Committee was dissolved in December 2010. A new Committee has been appointed

Source	KPA	KPI	Programme Driver	Target	1 ST Quarter	2 ND Quarter	3 RD Quarter	4 TH Quarter	VARIENCE
								question.	and will be fully functional in the new financial year.
MFMA	GGPP	AFS for 2009/10 submitted to the audit committee for review [MFMA, s 166(2)(b)]	MM	30/09/2010	AFS for 2010/2011 submitted to Audit Committee for review on 27-28 August 2010.	AFS for 2010/2011 submitted to Audit Committee for review on 27-28 August 2010.	AFS for 2010/2011 submitted to Audit Committee for review on 27-28 August 2010.	AFS for 2010/2011 submitted to Audit Committee for review on 27-28 August 2010.	Target achieved
PPMR	GGPP	No of audit committee meetings held	MM	4	XDM had 1 Audit Committee meeting on the 27-28 of August 2010.	XDM had 1 Audit Committee meeting on the 29th of November 2010.	No Audit Committee hence there is no Audit Committee meetings held in this quarter	No Audit Committee meetings were held in this quarter as the Municipality only appointed the Audit Committee in this quarter in question.	The Audit Committee had only 2 meetings and was dissolved in December 2010. A new Audit Committee has been appointed and will be fully functional in the new financial year.
MSA	GGPP	Corporate performance report for 2009/10 submitted to	Performance Unit	31/08/2010	Report compiled and submitted to AG for Audit on the 31	Report compiled and submitted to AG for Audit on the 31 August 2010.	Report compiled and submitted to AG for Audit on the 31 August 2010.	Report compiled and submitted to the AG for Audit on the 31st of August	Target achieved

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		the Auditor-General			August 2010.			2010.	
MFMA	GGPP	Mid-year budget and performance report for the period 01/07/2010 to 31/12/2010 submitted to the executive mayor	MM	25/01/2011	Not yet done. Target is 25/01/2011	Mid-year budget and performance report tabled in Council on the 25th of January 2011.	Mid-year budget and performance report tabled in Council on the 25th of January 2011.	Mid-year budget and performance report tabled in Council on the 25th of January 2011.	Target achieved
MFMA	GGPP	Annual report 2009/10 submitted to the executive mayor	MM	15-Jan-2011	A draft of the Annual report is available and is submitted to the AG for Audit.	A draft of the Annual report has been compiled and submitted to the AG for Audit. The final report will be submitted to the Executive Mayor on or before the 15 th of January 2011.	Annual Report submitted to the Executive Mayor on the 13 th of January 2011 and has been tabled before Council on the 25th of January 2011.	Annual Report submitted to the Executive Mayor on the 13 th of January 2011 and has been tabled before Council on the 25th of January 2011.	Target achieved
PPMR	GGPP	Quarterly feedback meetings	MM	Quarterly reports submitted	1 report compiled but not submitted	Report has been forwarded to	Quarterly reports regarding the implementation	Quarterly reports regarding the implementation of the IDP and	These reports will be compiled and forwarded to Council in the

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		regarding implementation of the IDP and PMS (PPMR Sec 15)		to Council	to Council..	Council in Dec 2010(Included in the Sec 72 report (MFMA).	of the IDP and PMS compiled but not submitted to Council.	PMS compiled but not submitted to Council.	new financial year as per the PPMR.
MFMA	MFVM	Months without unauthorised expenditure as indicated in MFMA 32(1)(b)	MM	12	No unauthorised expenditure was incurred in this quarter.	No unauthorised expenditure was incurred in this quarter.	Unauthorised expenditure was incurred in the quarter in question.eg. overspending in: Travelling and subsistence, telephone, Outsourcing of security services and Furniture and equipment.	Unauthorised expenditure was incurred in the quarter in question.eg. overspending in: Auditor`s Fees, travelling and subsistence, telephone, Outsourcing of security services and Furniture and equipment.	Unauthorised expenditure will be avoided in the next financial year as the department will be properly planning and budgeting for its operations.
MTAS	MTID	% of council resolutions implemented that were referred to the HOD	MM	100%	There were no matters referred to the MM by Council in this quarter.	There were no matters referred to the MM by Council in this quarter.	There were no matters referred to the MM by Council in this quarter.	There was only one matter referred to the MM by Council and it has been fully implemented (item: 14 of Council: 13 May 2011.)	Target achieved
MTAS	MTID	% of	MM	100%	No	No	100%. The	No	Target achieved

Source	KPA	KPI	Programme Driver	Target	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	VARIENCE
		appointments made within 3 months after advertisement			appointments were made in this quarter by the MM's office.	appointments were made in this quarter by the MM's office.	vacancy of the Chief Internal Auditor was advertised, interviews were conducted and the suitable incumbent will resume duties in April 2011.	appointments were made in this quarter by the MM's office.	

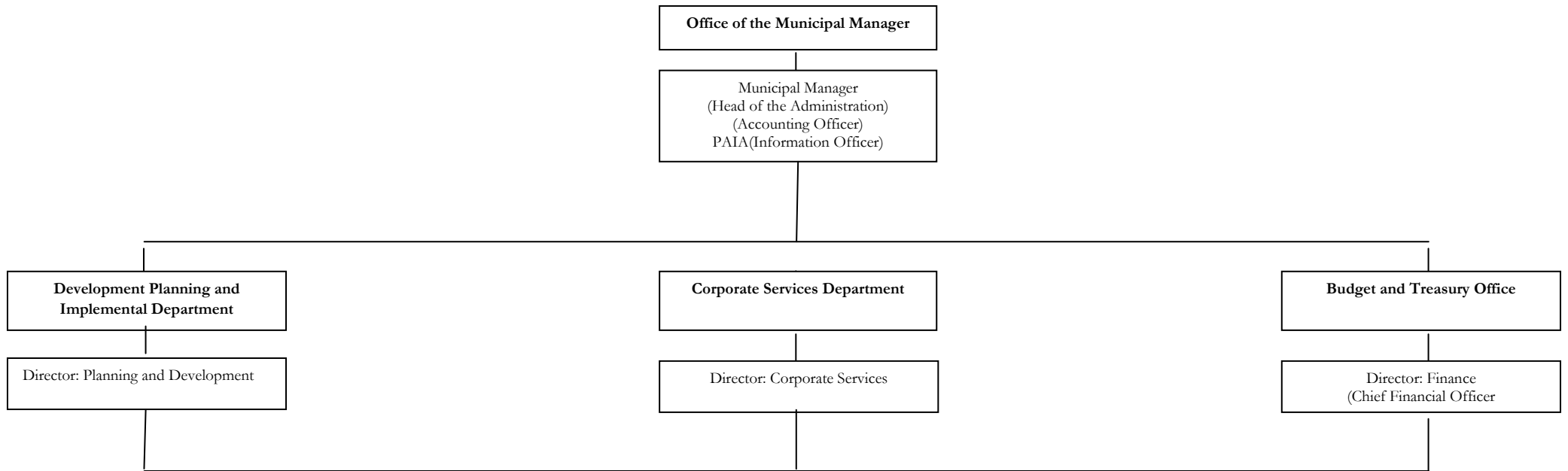
Chapter 3 Human Resources and Organisational Development

Internal Capacity

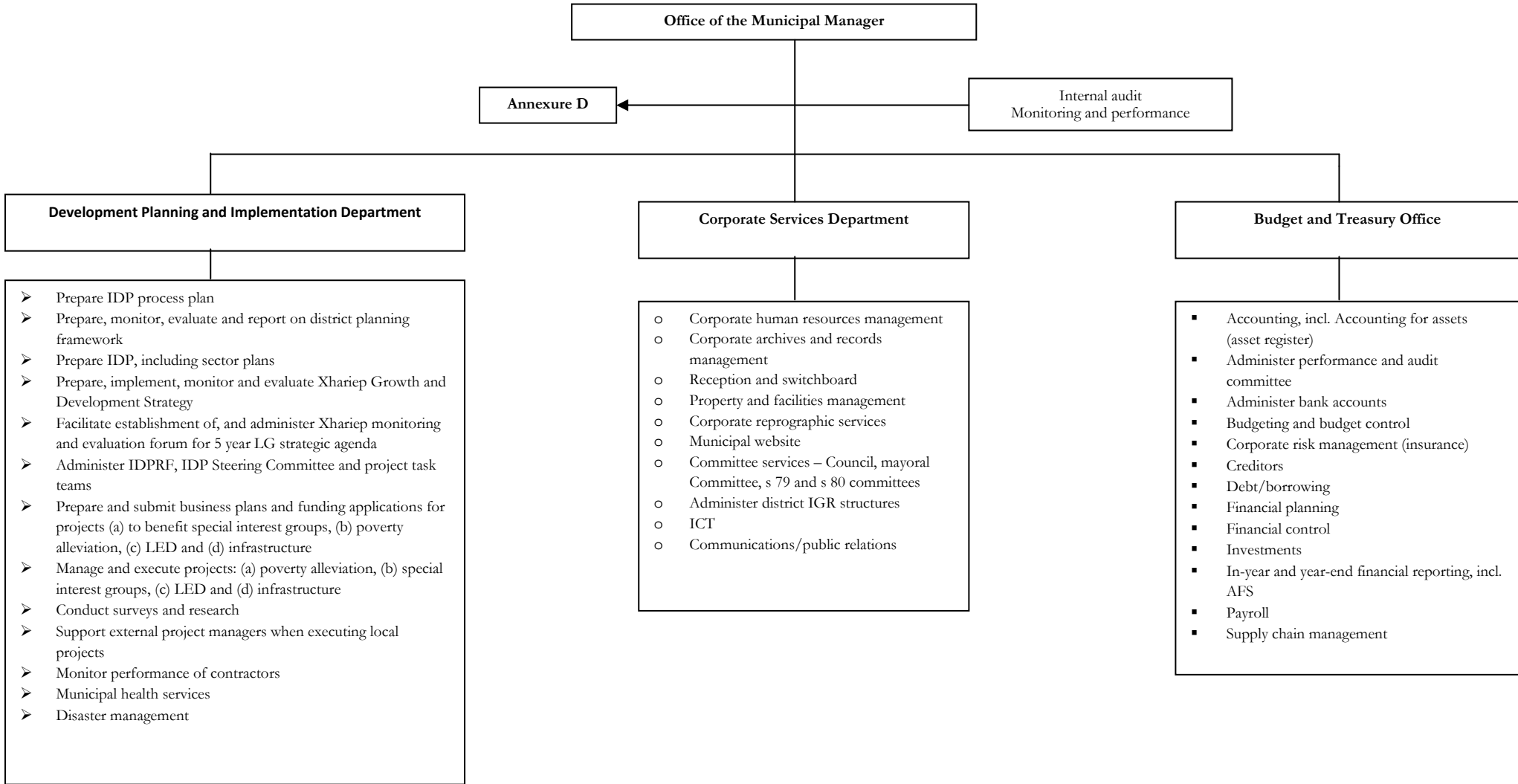
Functional roles that result from the relevant P&F's are performed by different departments at XDM. Shown below is the organisational structure of XDM, followed by a discussion of the P&F's relevant to specific offices within the District.

XDM Organisational Structure

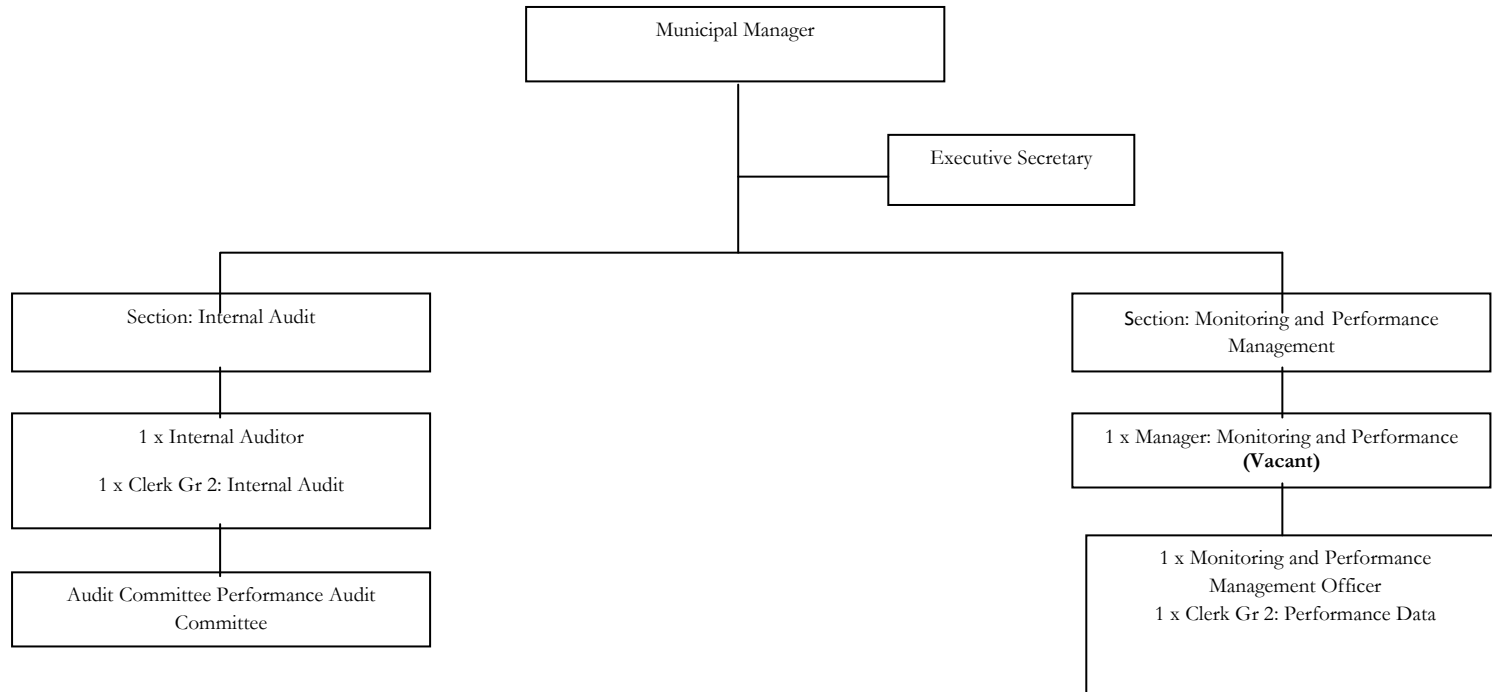
The organisational structure shown below is developed in compliance with legislative requirements and with a view to ensuring that the District has appropriate and adequate human resource capacity to deliver on its Powers and Functions.



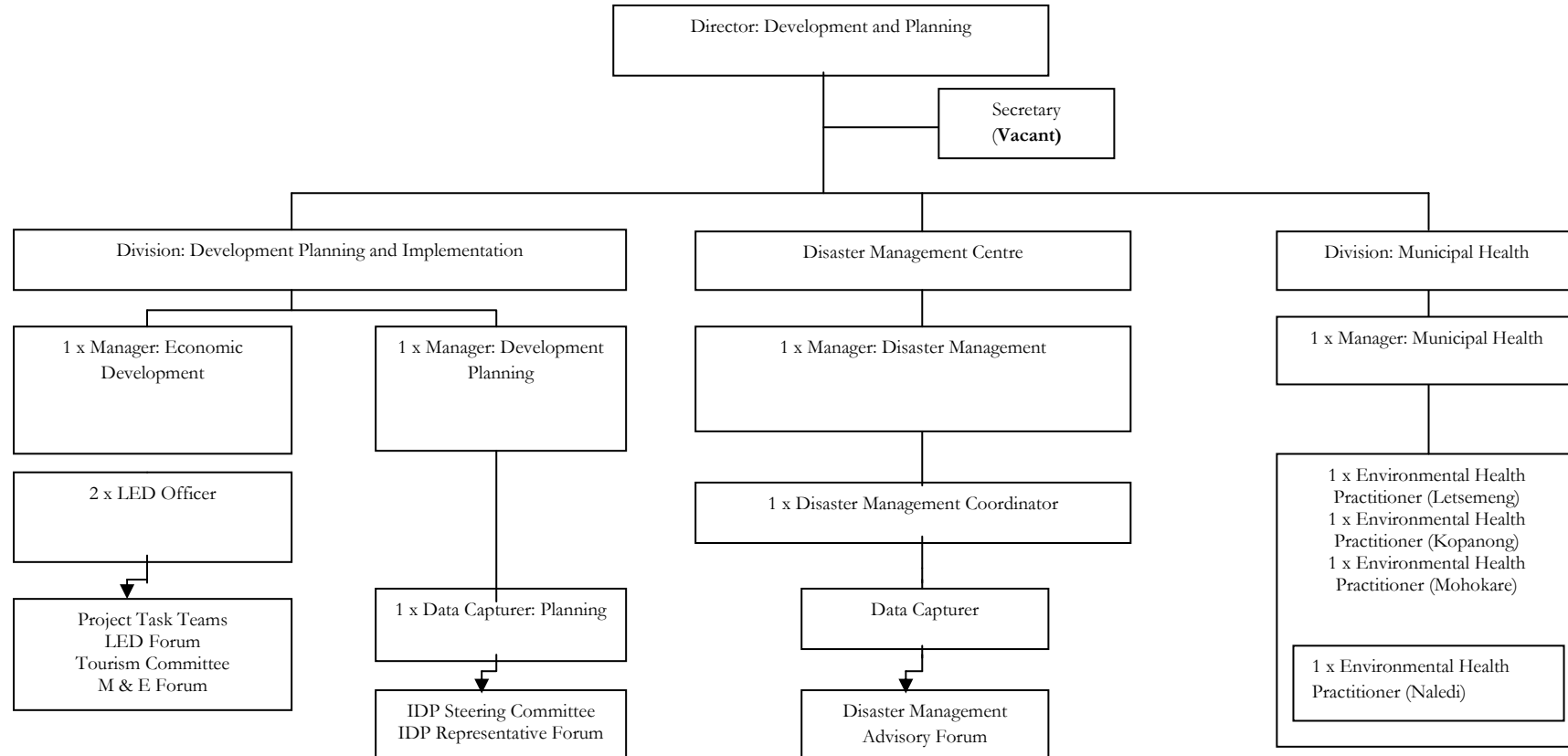
XHARIEP DISTRICT MUNICIPALITY FUNCTIONAL STRUCTURE



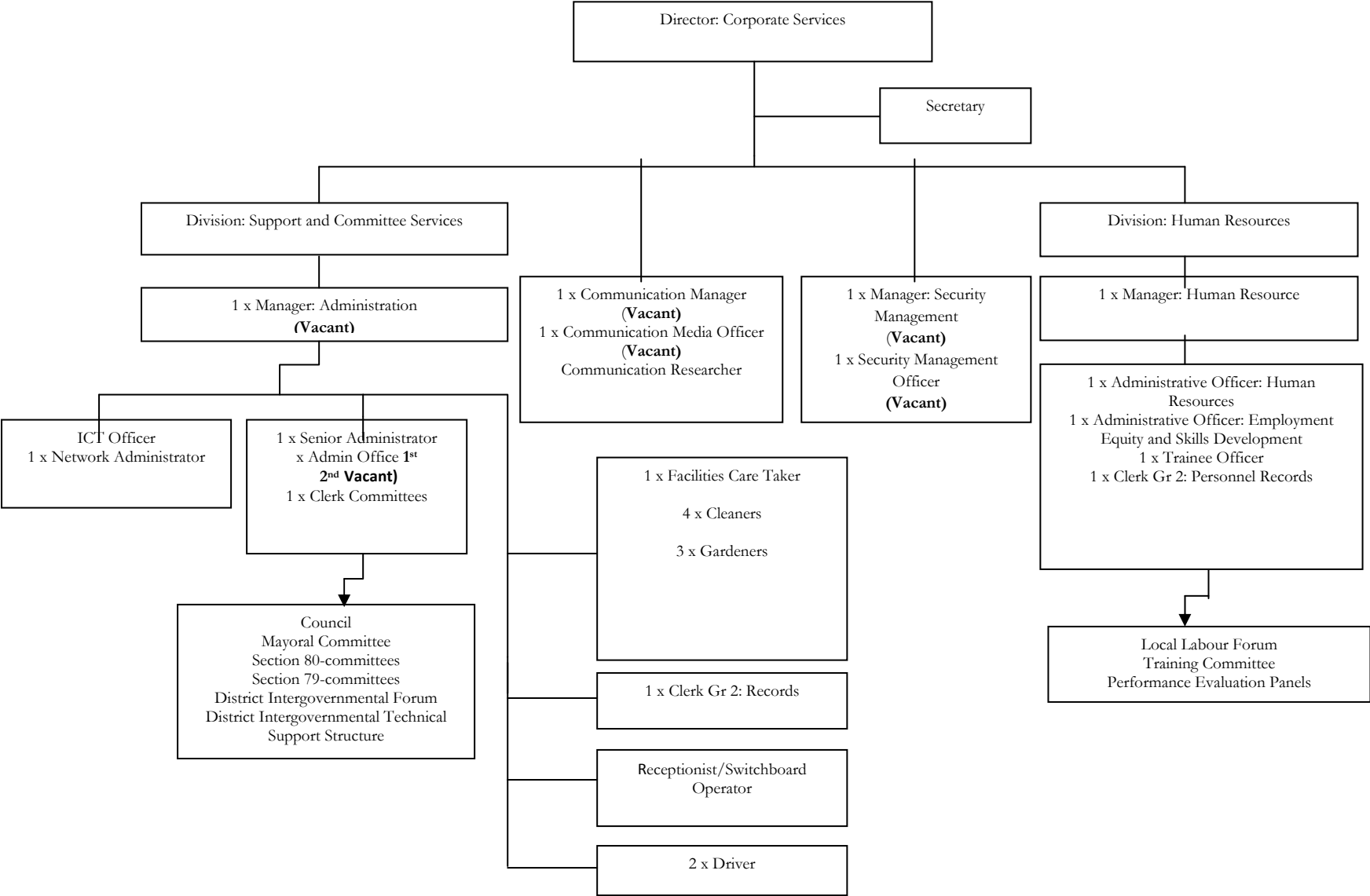
**XHARIEP DISTRICT MUNICIPALITY
OFFICE OF THE MUNICIPAL MANAGER**



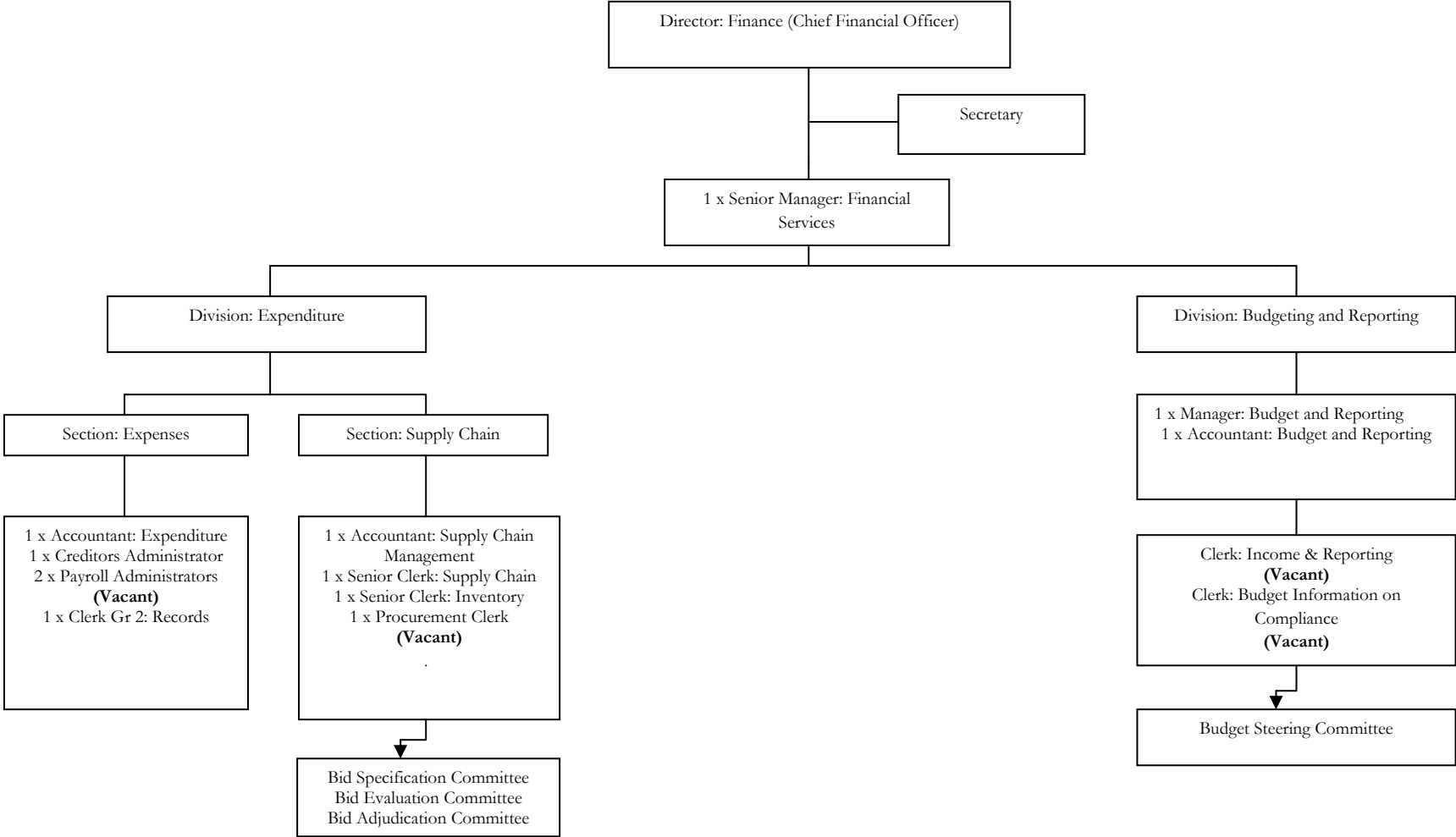
**XHARIEP DISTRICT MUNICIPALITY
DEVELOPMENT, PLANNING AND IMPLEMENTATION**



XHARIEP DISTRICT MUNICIPALITY CORPORATE SERVICES



XHARIEP DISTRICT MUNICIPALITY BUDGET AND TREASURY OFFICE



Office of the Municipal Manager

The Municipal Manager is the head of the administration and is responsible for the formation and development of an economical, effective, efficient and accountable administration which is equipped to implement the IDP, operates within the municipality's performance management system and is responsive to the needs of the local community to participate in municipal affairs. The Municipal Manager is the accounting officer and therefore has oversight responsibility for all managers. All senior managers account to the municipal manager who in turn account to the executive mayor and council on all administrative matters.

In support of the above mandate the office of the Municipal Manager accommodates the Performance Management System Unit and Internal Audit.

Corporate Services

This department is responsible for the internal organisational support services and has 4 divisions, namely:

- Administration
- Auxiliary services
- HR and Training
- Information Communications Technology

The position of Director Corporate Services has been filled. There is an HR officer appointed to deal with HR matters.

Human Resource and Training is responsible for the recruitment of new personnel and proper management of personnel records. The division is furthermore responsible for the implementation of the Employment Equity Plan and Workplace Skill Plan of council as well as the promotion of healthy labour relationships. Labour disputes are also dealt within this division.

The Division: Administrative comprises an *Administrative Support Section*, an *Auxiliary Services Section* as well as *Committee Services*

The *Administrative Support Section* provides and manages the secretarial services to all committees of council and council meetings. This includes the compilation of notices, agendas, minutes and memorandums and distributing these to the respective members of these committees. It also provides a centralised registry system which captures all incoming mail, records, files and distribute it to the relevant department or committee for finalisation. Upon receipt of the reply of the department, the writer is informed and the file is filed for safe keeping. This section is furthermore responsible for managing central municipal reception.

The *Auxiliary Services Section* is responsible for cleaning, maintenance and security of the municipal buildings. The facility management officer in charge of Auxiliary Services is

responsible for the hiring and reservation of council buildings and facilities to community members.

The *ICT Services division* is responsible for data processing, management and roll out of ICT related services. This division is also responsible for the regular updating of the municipality's website.

Finance Directorate

This directorate is responsible for the proper management and accounting of council finances and advising council on its financial position. The directorate had 2 divisions, namely:

- Expenditure
- Budgeting and Reporting

This Directorate is responsible for financial policies, financial control, budgeting and costing, loans and investment, the evaluation of assets and property as well as monthly management reporting to council. It is also responsible for continuous auditing of all financial activities, procedures and outsourced activities.

The *Budget and Reporting* of this directorate deals with consumer payment, queries and credit control while the *expenditure division* deals with salaries, payment of expenditure, procurement, asset management and store/inventory activities.

Planning and Development

This Directorate is responsible for overall planning and development of Xhariep District. The Directorate comprises of 4 divisions, namely:

- Integrated Development Planning
- Disaster Management
- Environmental and Health Management
- Local Economic Development

Integrated development planning – This division is responsible for the development of the IDP processes of the District and its constituent Local Municipalities

Disaster Management – This is a new division created during December 2009 and it is responsible for management of all disaster related matters.

Environmental Health – This is a new division created during December 2009 and it is responsible for management of all environmental and health related matters.

Local Economic Development - This division is responsible for the empowerment and strengthening of SMMEs. These include the facilitation of skills development, capacity building and entrepreneurial development training programmes, information dissemination, after - care

programmes as well as the encouragement and facilitation of partnerships. This division is also responsible for the promotion of trade and investment in order to draw new investment to the area.

One area which emphasis is to be placed is the establishment of a strong tourism network in the district. This will entail information dissemination and marketing of the area’s tourism products. Support services to local tour operators, tourism product owners.

Employment Equity

In terms of complying with Employment Equity Act (Act No.55 of 1998), the municipality has made significant strides in ensuring representation at the different levels within the organisation.

The Employment Equity Act No. 55 of 1998 requires Xhariep District Municipality to prepare an Employment Equity Plan. The Employment Equity Plan has been prepared in terms of the requirements set out in section 20 (1) of the Act.

The Employment Equity Plan covers a 5 year period, namely from 1 October 2009 to 30 September 2014. The Municipality will report on progress each year as prescribed by the Act and will review and update the Plan as required.

It is important that the Employment Equity Plan reflects the shared vision for the Municipality. The Municipality therefore utilizes the Local Labour Forum established by the collective bargaining process at national level to consult with employees and their unions regarding employment equity within the workplace.

The table below shows the employment equity statistics for the municipality as at July 2010- June 2011.

Table 3: Employment Equity Statistics

Employment Equity Category	Actual Employee statistics from 1Jul 2010-30 June 2011
% of staff employed in the highest levels of management that are black (African, Indian and coloured)	100%
%of staff employed in the highest levels of management that are women	0%
% of staff employed in different categories and levels that are people with disabilities	0 %
% of staff employed in different categories and levels that are black people(African, Coloured and Indian	98%

As can be seen from the information presented in table 3, employees from designated groups are well represented in the three highest levels of management and in the different employment categories and levels within the municipality, whilst women are not represented at all in the three highest levels of management and people with disabilities are also not presented within the workforce of this municipality these are, however, issues that cannot be addressed overnight as the staff composition can only be changed through the process of filling vacancies as they arise.

Table 4: Employment Equity as at July 2010- 30 June 2011. Statistics with regard to gender representivity as reflected in terms of numbers

	MALES				FEMALES			
	African	Coloured	Indian	White	African	Coloured	Indian	White
Corporate Department	20	0	0	0	21	0	0	0
Finance Department	5	0	0	0	11	1	0	1
Office of the Municipal Manager	3	0	0	0	4	0	0	0
Councillors	5	0	0	1	10	0	0	0
Planning and Development	7	2	0	0	6	0	0	0

Representation of Designated Groups

As can be seen from the information presented in Table 4, employees from designated groups are well represented in the highest levels of management and in the different employment categories and levels within the Municipality.

Representation of Women within the Municipality

There are no women represented in Section 57 positions and only 2 women is represented in Management position, The Municipality needs to employ more women in Top Management Positions.

Representation of people with Disabilities

None

Skills Development

The Skills Development Act (Act No. 97 of 1998) provides an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995; to provide for learner ships that lead to recognized occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.

The number of employees trained and the cost involved is shown in the table below as from July 2010–June 2011.

Table 5: Skills Data

Name of Training	Training Cost	No of Employees trained
Advanced Labour Law	R 13500.00	4
CPMD	R 198 000.00	4
Disciplinary Code and Procedure	R 189 000.00	All Managers and Officers.
Councillors Upper Limits	R 26 568.00	11
Basic VIP Training	R 7 500.00	2
Advanced Office Executives	R 44 000.00	4
Supply Chain Management	R 48 000.00	5
Records Management	R 2 800.00	4
VIP Training	R 19 800.00	2

Peace Officer Training	R 1 500.00	1
Advanced Driving	R 4 500.00	1

In July 2010 a budget allocation to the amount of R 481.000.00 was allocated for training and the budget was again adjusted to R881.000.00 for training purposes.

Workplace Discipline

Two employees have been dismissed from the employ of the Municipality.

Health and Safety

Occupational Health and Safety Act (No. 85 of 1993) provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith. No employee has reported an injury on duty for this financial year.

Total number of positions filled:

- Top Management: 3
- Total number of permanent employees: **57**
- National Treasury Interns: **5**
- Contract Workers: **10**
- Councillors: **16**

Total number of current vacancies:

- Vacant Positions: **6**

Skill or levels of education attained

- Professionals: **27**
- Unskilled: **9**
- Clerical and Administration: **18**

Name and Number Medical aid funds:

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

- Bonita's
- LA Health
- HOSMED
- SAMWU Medical Aid
- Key Health Medical aid

Name and Number of Pension or Provident funds

- Municipal Councillors Pension Fund(MCPF)
- **Free State Municipal Provident Fund(FMPF):** A decision was taken by the board of trustees not to accept anymore members in to the fund and this resulted in newly appointed employees joining the (SNPF)
- SAMWU National Provident Fund (SNPF)
- SALA Pension Fund
- Municipal Employees Pension Fund
- National Fund for Municipal Workers (NFMW)

Arrears owed to the Municipality

The Municipality is being owed a total of **R 2 491 006.65** by various debtors.

Chapter 4: Service Delivery Performance Reports

The Constitution (1996) assigns Local Government the mandate of developing their areas of jurisdiction. Widely interpreted, this implies that municipalities must within their financial and institutional capacity strive to achieve the objects of Local Government, namely:

- To promote democratic and accountable government for local communities.
- To ensure provision of services to communities in a sustainable manner.
- To promote social and economic development.
- To promote a safe and healthy environment.
- To encourage the involvement of communities and community organisations in matters of local government.

The Constitution further requires that municipalities structure and manage their administrative, planning and budgeting processes to priorities basic needs of their residents as well as promote social and economic development of the community, whilst participating in national and provincial development programmes.

Powers and Functions

Section 156 of the Constitution (1996) assigns executive authority to municipalities in respect of, and the right to administer the local government matter listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial government. This implies that certain functions have been assigned exclusively to local government. As local government comprises both district and local municipalities, it was necessary to differentiate between the functional competencies of district and local municipalities.

This division of functional competencies is governed by the Municipal Structures Amendment Act, No 33 of 2000. However, many district municipalities do not have the administrative capacity to execute their legislative powers and functions and therefore the MEC for Local Government and Housing authorised local municipalities to perform certain of the district functions in terms of section 18(1) of the Local Government Structures Amendment Act (No 33 of 2000). The last adjustments were gazetted in Provincial Gazette No 58 Notice No 126 of 27 June 2003. The following functions and powers of Xhariep District Municipality have been authorised to the respective local municipalities to perform on behalf of the district:

FUNCTIONS PERFORMED BY LMS ON BEHALF OF THE DM

Section	Function
Section 84(1)(b)	Potable water supply systems
Section 84(1)(c)	Bulk supply of electricity which includes for the purposes of such supply, the transmission, distribution and where applicable, the generation of electricity (mention special arrangements e.g. CENTLEC)
Section 84(1)(d)	Domestic waste-water and sewage disposal systems
Section 84(1)(i)	Municipal health services

The Minister also indicated in Section 84(1)(i) that the Environmental Health Function would from 1 July 2004, be no longer performed by LMs on behalf of the Districts. The district municipality has started to perform the functions of Environmental Health and Disaster Management with effect from December 2009. Critically, the Municipal Structures Amendment Act (Act 33 of 2000) provides for an extensive annual review of the division of powers and functions between Category B and Category C to ensure effective implementation of these assigned powers following an advice provided by the Municipal Demarcation Boarding emanating from the Boards' annual capacity assessment report.

The MEC has recently re-adjusted powers and functions between category A and B municipalities through a provincial gazette no.25 published on 11 April 2008. The said gazette authorize Xhariep District municipality and it local municipalities to perform the functions or exercise the powers set out as follows:

XDM READJUSTED FUNCTIONS FROM 11 APRIL 2008 AS PROMULGATED BY MEMBER OF THE EXECUTIVE COUNCIL (MEC) RESPONSIBLE FOR LOCAL GOVERNMENT AND HOUSING

Section	District Function	Letsemeng LM	Kopanong LM	Mohokare LM
Section 84(1)(a)	Integrated development planning for the DM, including developing IDP framework incorporating IDP processes of all the LMs.	No	No	No
Section 84(1)(b)	Bulk supply of water that affects a significant proportion of municipalities in the district	Yes	Yes	Yes

Section	District Function	Letsemeng LM	Kopanong LM	Mohokare LM
Section 84(1)(c)	Bulk supply of electricity that affects a significant proportion of municipalities in the district	Yes	Yes	Yes
Section 84(1)(d)	Bulk sewage purification works and main sewage disposal that affects a significant proportion of municipalities in the district	Yes	Yes	Yes
Section 84(1)(e)	Solid waste disposal sites in so far as it relates to: determination of a waste disposal strategy, regulation of waste disposal, establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one LM in the district	Yes	Yes	Yes
Section 84(1)(f)	Municipal roads which form an integral part of a road transport system for the entire area of the DM ¹⁹	Yes	Yes	Yes
Section 84(1)(g)	Regulation of passenger transport services	No	No	No
Section 84(1)(h)	Municipal airports serving the entire area of the DM	No	No	No
Section 84(1)(i)	Municipal health services serving the area of the district as a whole	No	No	No
Section 84(1)(j)	Fire fighting services serving the entire area of the DM including: planning, co-ordination and regulation of fire services, specialized fire fighting services such as mountain, veld and chemical fire services, co-ordination of the standardization of infrastructure, vehicles, equipment and procedures, and training of officers.	No	No	No
Section 84(1)(k)	Establishment, conduct and control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the district.	No	No	Yes – abattoirs only
Section 84(1)(l)	Establishment, conduct and control of cemeteries and crematoria serving a major proportion of municipalities in the district.	No	No	No
Section 84(1)(m)	Promotion of local tourism for the DM area	No	No	No
Section 84(1)(n)	Municipal public works relating to any of the above functions or any other function assigned to the district municipality.	Yes	Yes	Yes
Section 84(1)(o)	Receipt, allocation and if applicable, distribution of grants made to the district municipality	No	No	No
Section 84(1)(p)	The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the DM in terms of national legislation	No	No	No

*** Note: Yes - indicates that a particular LM will perform that function on behalf of the DM; No implies that the DM may perform that function.**

It is imperative to note that the said gazette provided for no adjustment/change to Xhariep District Municipality in performing local municipal functions. *The authorization as entailed in the gazette came into effect on 01 July 2008.*

Looking at the efficiency gains, government has reviewed the capital grants flows that historically were disbursed through district municipality's *en-route* to local municipalities. The capital grants flows have been changed since the advent of the Municipal Infrastructure Grant (MIG)²⁰ and these are routed directly to local municipalities for the provision of infrastructure services. This had a negative impact on the exercise of section 84(1) (o) *receipt, allocation and if applicable, distribution of grants made to the district municipality.*

¹⁹ *There are currently no roads complying with the definition of Municipal roads.*

²⁰ *MIG is a consolidated capital grant transferred to municipalities for provision of infrastructure services and meeting service delivery targets set by government. For an example, the eradication of buckets by 2007, provision of water 2009; basic sanitation 2010, electricity supply 2012, etc.*

Subsequently, the repeal of the Regional Service Levy (RSC) by the National Treasury from 01 July 2006 and compensation of the district for the loss of revenue in the short to medium term (up to three years) has made section 84 (1)(p) – *the imposition and collection of taxes, levies and duties as related to the above function or as may be assigned to the district municipality in terms of national legislation to fall off.*

The MDB assessment of capacity for the Xhariep District Municipality of August 2009 indicates that the district is performing the following functions:

- Local Tourism - specifically the maintenance of tourism sites;
- Municipal planning – the development and implementation of district-wide IDP framework;
- Cemeteries, funeral parlours and crematoria – Xhariep district is discharging an inspection function;
- Monitoring of refuse and waste disposal sites, for which it has one available staff member

This assessment indicates that out of 16 district functions, Xhariep district municipality is performing 7.89% of these functions. (*Sources – COGTA Spatial Analysis Framework*)

By the time the Spatial Analysis Framework was drafted, consideration was not given that Xhariep District Municipality has assumed other two functions of Environmental Health and Disaster Management respectively.

Implications of the Powers and Functions to the District Municipality

The implications of these P & Fs discussed above relate mainly to availability of appropriate and adequate capacity in the form of human and/or financial resources, in the case of XDM. It is worth noting that the role of the District Municipality is limited to co-ordination and integration and/or supervision with respect to most of the P & Fs above, particularly, where these do not fall directly within the District's legislative domain. Even so, sufficient financial and human resources are required to ensure effective execution of these roles. The same requirement applies with respect to P & Fs that fall directly within the District Municipality's legislative domain. The challenges listed below are identified as hindering Xhariep District Municipality from undertaking some of its legislative functions:

Financial Incapacity

Municipality officials view this status largely as a function of the formula used to calculate equitable shares, which emphasizes population size thereby failing to take full cognizance of the vast size of XDM. This challenge is further compounded by a stagnant economic growth and an economy that is least diversified. The result has been a steady escalation of needs over time, thereby requiring even greater financial intervention. Proposed interventions to address this situation include soliciting for and directing special grants towards specific projects that have an inherent revenue generation capacity for the DM; harnessing the DM's investment potential e.g. mining, a variety of water-based resources, alongside other aspects of the regions natural resource such its flora and fauna; enhancing the District's project implementation capacity and investing in a robust marketing strategy.

Limited skills-base

This is as a result of the DM's inability to attract and retain skilled person power. In addition, the district faces great challenges with respect to skills development, particularly in aspects such as learnerships. Proposed intervention to address XDM's weak skills-base include enhancing the aspects mentioned above, maximizing on opportunities that arise through National and Provincial government secondments and most critical, expanding capacity at the grassroots through a multivariate approach seeking to enable indigent communities, access various forms of training and skills development.

4.1 STATE OF HOUSEHOLD ACCESS TO BASIC SERVICES' PROVISION

As indicated earlier, it should be noted that the district has no primary competencies or authority for basic services such as water, sanitation, refuse / waste removal and electricity supply. However, as a developmental local government Xhariep has interest in ensuring that these services are adequately provided by its local municipalities who have primary authority for their provision. In addition, the district has a constitutional role of coordinating support for local municipalities so that they can be better capacitated to perform their mandates. The section below gives an analysis of the state of service provision in the entire district.

Water Supply

Bulk water supply

Letsemeng

The Petrusburg Node and farms utilise boreholes as the supply of potable water. The boreholes are not sustainable and an alternative source will have to be found to supply the Petrusburg node in future.

The Koffiefontein and Jacobsdal Nodes extract water from the Kalkfontein Dam while the latter also extracts water from the Orange-RietCanal. Oppermans also extracts water from the Orange-RietCanal. The water extracted are purified locally while both the Koffiefontein and Jacobsdal purification plants seem to be inadequate to cope with the increased demand for potable water. There is also a need to increase the storage capacity in Jacobsdal.

The Luckhoff node extracts water from the SarelHaywardCanal and Van der Kloof Dam. Both the purification plant and reservoir need to be upgraded in future to cope with future demand.

Mohokare

Rouxville gets its water supply from the Kalkoenkrans dam and boreholes. Water shortages are experienced during dry seasons and access to alternative sources need to be investigated. The purification works is working at capacity while a new reservoir is required.

Smithfield obtains its water from the Caledonriver, which is then purified at the local purification plant. There are also 7 boreholes which supplements the water supply from the river.

Zastron obtains its water from the Montagu and Kloof dams as well as boreholes. The current capacity of the reservoir, pump station and purification works is sufficient for the next five years.

Kopanong

Most of the towns in the area utilises water from the Bloemwater pipelines running through the area, except Jagersfontein and Fauresmith, which get its water from the mineshafts in Jagersfontein. The water

quality from the mineshafts is poor and the purification plants will need to be upgraded or an alternative water source need to be established to supply these two towns. Water shortages are also experienced during summer when low rainfall is recorded. The pipeline between Fauresmith and Jagersfontein is being upgraded

The supply of water to Reddersburg and Edenburg from the Bloemwater pipeline needs to be supplemented with boreholes and in summer water shortages can be experienced. The water pumps at these two towns are also in poor condition and regular maintenance work is needed. All of the other towns also use boreholes to supplement their water received from Bloemwater.

Bethulie's pump station is too small and its capacity will need to be increased in future.

Internal water supply:

According to the municipalities approximately 92% of residents in urban areas in Xhariep have access to water. Most of the ervens with access to water are metered. Residents in the urban areas in Mohokare Local Municipality have 100% access to water services. Letsemeng Local Municipality has the greatest backlog, with 11% of all urban households not having access to water. Information pertaining to service levels on farms is not readily available and is therefore not reflected in the table above. However, if one compares the above with the Census 2001 figures one can conclude that the increase in backlogs recorded can be attributed to the level of service on the farms.

Summary of water supply challenges

- Entire Letsemeng area in terms of bulk water supply – water expensive.
- Petrusburg – bulk supply not sufficient – alternative source needs to be identified
- Koffiefontein – purification plant too small and alternative water source needs to be identified
- Luckhoff – upgrading of purification plant and reservoir
- Jacobsdal – upgrading of purification plant
- Fauresmith – Replace main water line from Jagersfontein and valves at reservoir
- Trompsburg – Bloem Water pipeline
- Rouxville – additional water supply source required
- Smithfield – additional water supply source required
- Edenburg – water pressure in Ha-Rasebei
- Jagersfontein – water purification pumps not functioning
- Phillippolis – internal leaks place pressure on bulk supply
- Reddersburg – Replace pipe from reservoir to town

Based on anecdotal evidence received from local municipalities current backlogs are estimated as follows:

- 3169 erven not yet having access to potable water
- Installation of 816 individual household connections to erven currently serviced with communal taps
- Metering of 8724 individual household connections not yet metered.

Sanitation

Bulk sanitation

Letsemeng

Oxidation ponds service most of the urban areas in Letsemeng Local Municipal area. In all of the cases the pumps at the oxidation ponds are under strain and will need upgrading in future. Only the Koffiefontein Node is serviced by an activated sludge plant to CSIR standards. The plant does not have sufficient capacity for future extensions and are being upgraded to accommodate the future need.

Mohokare

All three areas utilise oxidation ponds. The present capacity in Rouxville needs to be increased to accommodate future network connections.

Kopanong

All of the towns utilises oxidation pond for the treatment of sewage, except Jagersfontein where a French drain system is in place. Most of the pumps at these treatment works are under strain and will need upgrading in future. The wastewater is also not measured at these treatment works due to maintenance problems on the metering equipment.

Most of the problems experience with sanitation in these towns relates to blockages in the system which causes overflow at manholes in residential areas. Some of the oxidation dams are also too small to cope with future demand (Bethulie, Gariepdam, Phillippolis and Trompsburg) and will have to be extended in future.

Electricity

Bulk electricity supply

Eskom is the sole provider of electricity in the district. The local municipalities collect payments on behalf of Eskom in the former White areas, except in the case of Jacobsdal, where Eskom provides electricity.

Internal electricity reticulation

Approximately 79% of all ervens in urban areas of Xhariep have access to electricity. Mohokare has the highest service rate at approximately 96%.

Summary of the key challenges facing the provision of electricity

Bulk supply of electricity

- Eskom is the service provider to mainly the rural area and previous disadvantaged areas
- Centlec is the main supplier in the district and also provide distribute electricity to some communities
- Implementation of Free Basic Electricity

Internal electricity reticulation

- 7170 sites do not have access to electricity
- Kopanong and Letsemeng are the areas worst off.

Roads, streets and stormwater

Most of the road network in the district is provincial roads, with the N1, N6 and N8 as proclaimed national roads. The present condition of both tarred and graveled roads are very poor, thus limiting

access to communities and economic opportunities. Although the district municipality is responsible for the maintenance of roads serving the district as a whole, these roads have not been identified, leaving a vacuum in terms of responsibility. It is thus important that powers and functions relating to road infrastructure be clarified in future.

Summary of key challenges for roads and stormwater provision

- Most of the road network in the district is dirt roads. Poor maintenance of these roads impact on the accessibility of the district
- The main connector roads in the district are still dirt roads which impact on effective service delivery. The district head quarter in Trompsburg is only accessible from some of the towns via dirt roads.
- Street network is also in poor condition due to a lack of capacity and resources of local municipalities to maintain these.
- Stormwater systems are not in place in most areas, thus impacting on the maintenance of the streets
- Powers and functions in terms of road and street maintenance need to be re-evaluated.

Waste Management

Waste management is the competency of a district municipality but Xhariep has not developed adequate capacity to perform this function effectively. The table below indicates the number of waste disposal sites operated in the area. Most of these sites are not registered and applications will have to be lodged to legalise these sites. Most communities in the urban areas have access to a waste removal system at least once a week.

Summary of key challenges for waste removal service

- Waste removal is currently being removed and treated by each municipality (most municipalities burn waste)
- Cost for waste removal is very high due to old methods
- Plastic creates problems
- No service in rural areas
- None of the waste disposal sites comply with legal requirements and no central facility is available
- There is currently a great need for vehicles and equipment

Parks, Sport and Recreation and Cemeteries

All urban areas have parks. However, these are poorly maintained due to a lack of funding and resources. Most of the parks in the previous disadvantaged communities have not been properly developed and therefore illegal occupation of these parks occurs.

There are ample sport and recreation facilities in the district. However, the condition of these facilities is poor due to a lack of maintenance and vandalism. Some of these have been rented to clubs that charge community members a fee to utilise these facilities. This hampers poor communities to gain access to these services. A new regional sport complex was recently developed in Trompsburg.

Cemeteries are provided in each of the urban areas. Farming communities either utilise private cemeteries on farms or bury their loved ones in town. Summary of challenges for services relating to Parks, Sport and Recreation and Cemeteries

The following issues were raised during the IDP workshops:

- Most of the parks are undeveloped or poorly maintained
- Sport and recreation facilities are in a poor condition due to the lack of resources to maintain them and vandalism.

- There is a need for different sporting codes to be accessible to communities
- The current capacity of cemeteries is a problem. Jacobsdal, Bethulie, Rouxville and Zastron urgently require additional cemetery space.
- The maintenance is inadequate
- Not all cemeteries are properly developed with amenities like fencing, potable water and ablution facilities.
- Illegal burials take place on land not earmarked for cemeteries.

Communication network

Access to telecommunication has improved in recent years with the installation of cell phone networks. However, access to these services in poorer communities and farming areas remains a problem. Public phones are available in urban areas and some rural communities can access these at schools. However, the majority of farm workers rely on the farmer. Large areas within the district also do not receive proper television and radio coverage. Only limited number of channels is broadcasted to this area. Printed media, particularly in English is also a problem.

Summary of challenges for telecommunication network services

- Insufficient television channel coverage
- Insufficient telephone network and coverage
- lack of public phones
- No regional radio station
- Lack of radio station coverage in some areas
- Lack of mobile phone network in some areas.

**CHAPTER 5: KHARIEP DISTRICT MUNICIPALITY'S AUDITED
ANNUAL FINANCIAL STATEMENTS 2010/2011**

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XHARIEP DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2011



I am responsible for the preparation of these annual financial statements, which are set out on page 81 to 136, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager
TL Mkhwane

31 August 2011
Date

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GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa
Nature of operations and principal activities	Administering and making rules of the district, which includes Kopanong Local Municipality, Letsemeng Local Municipality and Mohokare Local Municipality.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Jurisdiction of entity	Area DC16, a district municipality, as demarcated by the Demarcation Board and indicated in the demarcation map.
Grading of the Municipality	Low Capacity
Mayor	Cllr M Ntwanambi
Councillors and their portfolios	<p><u>Speaker:</u> Cllr AM Shasha Cllr MJ Sehanka - Inaugurated 6 June 2011</p> <p><u>Members of Mayoral Committee:</u> Cllr M Ntwanambi Cllr T Reachable Cllr KE Dlomo Cllr V Mona Cllr MG Modise - Inaugurated 6 June 2011 Cllr V Mona - Inaugurated 6 June 2011 Cllr I Mehlomakhulu - Inaugurated 6 June 2011</p> <p><u>Chief Whip:</u> Cllr TL Reachable Cllr I Mehlomakhulu - Inaugurated 6 June 2011</p> <p><u>Councillors of the Council:</u> Cllr NB Shiya Cllr BS Majenge Cllr RJ Thuhlo Cllr MA Kwinani Cllr MJ Ralithare Cllr AJ Van Rensburg Cllr M Du Toit</p>

GENERAL INFORMATION (continued)

Councillors of the Council:

Inaugurated 6 June 2011

Cllr P Dibe
Cllr NS Jafta
Cllr MM Khotlele
Cllr MJ Mohapi
Cllr MJ Mphore
Cllr JJ Makitle
Cllr SA Sola
Cllr NC Spochter
Cllr H Shebe
Cllr AJ Van Rensburg

Registered address	20 Louw Street Trompsburg 9913
Postal address	P.O. Box 136 Trompsburg 9913
Bankers	ABSA Bank
Auditors	The Office of the Auditor-General: Free State
Municipal Manager	TL Mkhwane
Chief Financial Officer	CT Panyani
Relevant Legislation	The Constitution of the Republic of South Africa The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Basic Conditions of Employment Act 75 of 1997 The VAT Act 89 of 1991 The Skills Development Act 9 of 1999 The Division of Revenue Act 1 of 2007

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Xhariep District Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 83 to 129

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA)), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Xhariep District Municipality as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Irregular expenditure

9. The municipality incurred irregular expenditure of R12 048 766 (2010: R1 803 550) as proper procurement processes had not been followed as required by the supply chain management (SCM) regulations.

Financial sustainability

10. As disclosed in note 42 to the financial statements, the municipality might experience difficulties as a formal guarantee could not be provided to confirm that the municipality will be receiving grants from CoGTA and the provincial treasury to maintain their operations. The municipality also did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial governments for its continued sustainability. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern. The municipality may, therefore, be unable to realise its assets and discharge its liabilities in the normal course of business.

Additional matters

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 130 to 136 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

14. There are no material findings on the annual performance report.

Compliance with laws and regulations

Annual financial statements, performance and annual reports

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

Expenditure management

16. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

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

Audit committees

18. The municipality did not have an audit committee in operation for a significant part of the financial year and as a result the audit committee did not substantially fulfil its responsibilities for the year, as required by section 166(1) of the MFMA.

19. The performance audit committee or another committee functioning as the performance audit committee did not perform the following, as required by Municipal Planning and Performance Management Regulation 14:

- Meet at least twice during the financial year
- Review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
- Review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- Submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Internal audit

20. The internal audit unit did not substantially fulfil its responsibilities and did not function as required by section 165(2) of the MFMA for the financial year as the internal auditor was suspended for the period 28 September 2010 to 26 January 2011 and the position was then vacant until 4 April 2011. Internal audit reports were therefore only reported to the audit committee meeting held on 26 to 27 August 2010.
21. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and no evidence could be obtained that quarterly reports for the first and second quarters of the 2010-11 financial year were submitted to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

22. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) and (c).
23. The preference point system was not applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
24. Awards were made to providers whose tax matters had not been declared by the South African Revenue Services to be in order, as required by SCM regulation 43.
25. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM regulation 13(c).

INTERNAL CONTROL

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

Leadership

27. The accounting officer did not take appropriate action to address the lack of discipline in the finance and SCM directorates, resulting in non-compliance with applicable legislation. This, in turn, resulted in irregular expenditure.

Financial and performance management

28. The accounting officer did not regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

29. Internal controls were not selected and developed to adequately prevent, detect and correct material non-compliance with laws and regulations.
30. The audit committee did not function throughout the year as the audit committee was dissolved during December 2011 and the first meeting after the new audit committee was established, was in 1 July 2011.

Bloemfontein

30 November 2011



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

XHARIEP DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

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		2011	RESTATED
	Note	R	2010
			R
ASSETS			
Current assets		16 688 347	11 584 958
Cash and cash equivalents	1	1 358 177	1 882 700
Trade receivables from exchange transactions	2	2 224 968	861 354
Other receivables from exchange transactions	3	6 224 176	3 652 750
Inventory	4	-	-
Current portion of non-current receivables	5	-	-
Investments	30	5 031 973	4 130 716
VAT receivable	9	1 849 053	1 057 438
Non-current assets		20 845 616	18 013 571
Non-current receivables	5	-	-
Property, plant and equipment	6	20 305 440	17 473 395
Intangible assets	7	540 176	540 176
Total Assets		37 533 963	29 598 529
LIABILITIES			
Current liabilities		5 473 599	5 610 830
Trade and other payables from exchange transactions	8	4 408 126	4 083 753
Unspent conditional grants and receipts	10	667 526	1 272 560
Current portion of finance lease liabilities	11	397 947	254 517
Non-current liabilities			
Non-current finance lease liability	11	362 289	760 193
Long service bonus	31	602 890	-
Total Liabilities		6 438 778	6 371 023
NET ASSETS		31 095 185	23 227 506
NET ASSETS			
Accumulated Surplus		31 095 185	23 227 506

XHARIEP DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

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	Notes	2011 R	RESTATED 2010 R
REVENUE		45 264 547	26 032 489
Rental income	12	290 957	224 661
Interest earned	13	382 910	927 464
Gain on disposal of assets	14	-	51 433
Government grants and subsidies	15	44 574 270	24 824 459
Other income		16 410	4 472
EXPENDITURE		37 396 868	29 844 611
Employee related costs	16	19 819 479	14 821 133
Remuneration of Councillors	17	2 566 048	2 385 759
Bad debts and impairment of debtors movement		(659 604)	364 809
Depreciation and amortisation expense	18	-	-
Repairs and maintenance	19	1 418 656	1 920 532
Finance costs	20	497 111	121 746
Loss on disposal of assets	14	45 220	-
General expenses	22	13 709 958	10 230 632
(DEFICIT)/SURPLUS FOR THE YEAR		7 867 679	(3 812 122)

Refer to Appendix E for the comparison with the approved budget

XHARIEP DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Accumulated Surplus	TOTAL
		R	R
Restated balance at 30 June 2009		27 034 508	27 034 508
Restated Surplus / (Deficit) for the year		(3 812 122)	(3 812 122)
Correction of prior period errors	27.1	(26 754)	(26 754)
Correction of prior period errors	27.2	85 967	85 967
Correction of prior period errors	27.5	(54 093)	(54 093)
Restated Balance at 30 June 2010		23 227 506	23 227 506
Surplus / (Deficit) for the year		7 867 679	7 867 679
Balance at 30 June 2011		31 095 185	31 095 185

XHARIEP DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

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	Notes	2011 R	RESTATED 2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others	24	40 831 058	23 287 904
Cash paid to suppliers and employees	25	(35 852 608)	(26 361 572)
Cash generated from / (required by) operating activities	26	4 978 450	(3 073 668)
Interest received		382 910	927 464
Finance costs		(497 111)	(121 746)
Net cash flows from operating activities		4 864 249	(2 267 950)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5 610 217)	(3 358 843)
Proceeds from sale of property, plant and equipment		774 286	238 545
Purchase of intangible assets		-	131 579
(Increase) /Decrease in investments		(901 257)	(4 130 716)
Net cash flows from investing activities		(5 737 188)	(7 119 435)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long service bonus		602 890	-
Increase /(Decrease) in finance lease liabilities		-	1 094 536
Repayment of finance lease liabilities		(254 474)	(301 800)
Net cash flows from financing activities		348 416	792 736
Net increase/(decrease) in net cash and cash equivalents		(524 523)	(8 594 649)
Cash and cash equivalents at the beginning of the year		1 882 700	10 477 349
Cash and cash equivalents at the end of the year	1	1 358 177	1 882 700

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The applied Standards of GRAP emanate from Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy and/or relevant note to the financial statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" and Directive 7: "The application of deemed cost on the adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 - Inventories;
GRAP 13 - Leases;
GRAP 17 - Property, plant and equipment;
GRAP 102 - Intangible assets.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2011**

1 BASIS OF ACCOUNTING (continued)

1.4 COMPARATIVE INFORMATION (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non-cash generating Assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee benefits

GRAP 26 Impairment of Cash Generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

There were no impending changes in accounting policy at year end.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

2 PROPERTY, PLANT AND EQUIPMENT (continued)

2.1 INITIAL RECOGNITION (continued)

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Other

Buildings	30
Computer equipment	3 - 7
Other vehicles	5 - 7
Office equipment	3 - 7
Furniture and fittings	7 - 10

Finance lease assets

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

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

2 PROPERTY, PLANT AND EQUIPMENT (continued)

2.3 DEPRECIATION AND IMPAIRMENT (continued)

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3 INTANGIBLE ASSETS (continued)

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets (consumable stores) consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are to be distributed at no or nominal charge and are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through surplus or deficit, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 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.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5 FINANCIAL INSTRUMENTS (continued)

5.2 SUBSEQUENT MEASUREMENT (continued)

5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 FRUITLESS AND WASTEFUL EXPENDITURE

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

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 LEASES

9.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

9 LEASES (continued)

9.1 MUNICIPALITY AS LESSEE (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

9.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2011**

10 REVENUE (continued)

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

10.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

11 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

12 IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

12 IMPAIRMENT OF ASSETS (continued)

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

	2011 R	RESTATED 2010 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	1 346 663	216 256
Cash on hand	83	-
Held-to-maturity investments maturing 1 to 3 months	11 431	1 666 444
Total Cash and cash equivalents	1 358 177	1 882 700
The Municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Brandwag Branch Account Number: 4053628182		
Cash book balance at beginning of year	216 256	504 773
Cash book balance at end of year	1 346 663	216 256
Bank statement balance at beginning of year	216 506	512 487
Bank statement balance at end of year	1 347 005	216 506
Held-to-maturity investments maturing 1 to 3 months:		
FNB - Call Deposit - Account number 62032591283	-	790 789
FNB - Call Deposit - Account number 62044232958	11 431	9 593
FNB - Call Deposit - Account number 62049364566	-	572 018
FNB - Call Deposit - Account number 62139550421	-	179 172
FNB - Call Deposit - Account number 62246267399	-	114 872
Held-to-maturity investments maturing 1 to 3 months:	11 431	1 666 444

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Impairment of Debtors	Net Balance
	R	R	R
Trade receivables as at 30 June 2011			
Building and facilities rental	2 228 008	(3 040)	2 224 968
Total	2 228 008	(3 040)	2 224 968
as at 30 June 2010			
Building and facilities rental	1 540 469	(679 115)	861 354
Total (restated)	1 540 469	(679 115)	861 354

Building and Facilities Rentals: Ageing

	2011 R	2010 R
Current (0 – 30 days)	418 222	106 137
31 - 60 Days	66 489	26 688
61 - 90 Days	53 183	25 970
91 - 120 Days	29 922	25 844
121 - 150 Days	29 922	25 781
151 - 180 Days	26 605	25 502
+ 180 Days	1 603 665	1 304 547
Total	2 228 008	1 540 469

Provision for impairment of debtors

Balance at the beginning of the year (as previously stated)	679 116	332 946
Contributions to / (from) provision	(676 076)	346 170
Bad debts written off against provision	-	-
Balance at the end of the year	3 040	679 116

No amounts were written off during the current and prior financial year.

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

Summary of Debtors by Customer Classification

	Industrial / Commercial	National, Provincial and Local Government
2011		
Current (0 – 30 days)	8 952	409 270
31 - 60 Days	19 965	46 524
61 - 90 Days	6 660	46 523
91 - 120 Days	6 660	23 262
121 - 150 Days	6 660	23 262
151 - 180 Days	3 345	23 260
+ 180 Days	-	1 603 665
Sub-total	52 242	2 175 766
Less: Provision for doubtful debts	-	(3 040)
Total debtors by customer classification	52 242	2 172 726

	2011 R	RESTATED 2010 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Summary of Debtors by Customer Classification		
	Industrial / Commercial	National, Provincial and Local Government
2010		
Current (0 – 30 days)	2 193	103 944
31 - 60 Days	-	26 688
61 - 90 Days	-	25 970
91 - 120 Days	-	25 844
121 - 150 Days	-	25 781
151 - 180 Days	-	25 502
+ 180 Days	200	1 304 347
Sub-total	<u>2 393</u>	<u>1 538 076</u>
Less: Provision for doubtful debts	(2 193)	(676 922)
Total debtors by customer classification	<u>200</u>	<u>861 154</u>

Trade and other receivables past due but not impaired

Trade and other receivables from exchange transactions which were past due where not impaired at year end due to the following:
 Xhariep District Municipality is indebted to Kopanong Local Municipality to an amount equal to impaired debt less the subsequent receipts received.

1 298 016	861 154
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3 SUNDRY RECEIVABLES

Other receivables	1 024 135	262 860
Accrued income	5 176 333	3 376 030
Prepayments	23 708	13 860
Total Sundry Receivables	<u>6 224 176</u>	<u>3 652 750</u>

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

4 INVENTORIES

Opening balance of inventories:

Consumable stores	-	-
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Additions:

Consumable stores	-	-
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Issued (expensed):

Consumable stores	-	-
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Write-down to Net Replacement Value (NRV)

Consumable stores	-	-
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Closing balance of inventories:

Consumable stores	-	-
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Consumable stores of the municipality consist of the following:

- Stationery
- Building cleaning material
- Other office supplies

4 INVENTORIES (continued)

At year end the municipality did not have sufficient information to measure inventory used during the financial year and inventory on hand at year end. The Municipality will record inventory on the detailed inventory register with sufficient information to determine the value of inventory used during the financial year and the value of inventory on hand at year end. The Municipality has applied the measurement transitional provisions for inventory in Directive 4 of the Accounting Standards Board. As a result the Municipality has recognised inventory at R0 provisional amounts until all the necessary information regarding the value of the inventory is obtained. Full compliance is expected at 30 June 2012.

	2011	2010
	R	R
5 NON-CURRENT RECEIVABLES		
Car loans	80 313	241 352
Less: Current portion transferred to current receivables	-	-
Less: Provision for impairment of debtors	(80 313)	(241 352)
Total	<u>-</u>	<u>-</u>
Provision for impairment of debtors		
Balance at the beginning of the year	241 351	222 713
Contributions to provision	6 310	18 638
Bad debts written off against provision	<u>(167 348)</u>	<u>-</u>
Balance at the end of the year	<u>80 313</u>	<u>241 351</u>

The car loan of Mr.P.Pitso was written off during the year in response to a resolution passed by Council in this regard.

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

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value	Building	Work in Progress	Other Assets	Finance lease Other assets	Total
	R	R	R	R	R
as at 1 July 2010	13 257 213	1 221 227	1 713 597	1 281 358	17 473 395
Cost	13 257 213	1 221 227	1 863 368	1 281 358	17 623 166
Accumulated depreciation and impairment losses	-	-	(149 771)	-	(149 771)
Acquisitions	1 948 526	733 291	2 928 400	-	5 610 217
Depreciation	-	-	-	-	-
Carrying value of disposals	-	(1 954 518)	(819 506)	-	(2 774 024)
Cost/Revaluation	-	(1 954 518)	(819 506)	-	(2 774 024)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	(4 148)	-	(4 148)
as at 30 June 2011	15 205 739	-	3 818 343	1 281 358	20 305 440
Cost/Revaluation	15 205 739	-	3 972 262	1 281 358	20 459 359
Accumulated depreciation and impairment losses	-	-	(153 919)	-	(153 919)

Refer to Appendix C for more details on property, plant and equipment

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Building	Work in Progress	Other Assets	Finance lease Other assets	Total
	R	R	R	R	R
as at 1 July 2009	13 257 213	-	1 006 421	187 800	14 451 434
Cost	13 257 213	-	1 006 421	187 800	14 451 434
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	-	1 221 227	1 032 888	1 104 728	3 358 843
Depreciation	-	-	-	-	-
Carrying value of disposals	-	-	(175 941)	(11 170)	(187 111)
Cost/Revaluation	-	-	(175 941)	(11 170)	(187 111)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	(149 771)	-	(149 771)
as at 30 June 2010	13 257 213	1 221 227	1 713 597	1 281 358	17 473 395
Cost/Revaluation	13 257 213	1 221 227	1 863 368	1 281 358	17 623 166
Accumulated depreciation and impairment losses	-	-	(149 771)	-	(149 771)

Refer to Appendix C for more details on property, plant and equipment

**NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

6.2 Reconciliation of Carrying Value (continued)

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

Refer to Appendix C for more details on property, plant and equipment.

6.3 Transitional provisions applied and progress made

Cost prices and purchase dates of most of the municipality's assets were not available at year end to calculate depreciation for the year (incl. backlog depreciation). However the municipality has appointed a sworn apprasor / valuator and is in the process of obtaining market values to use as deemed cost prices in accordance with Directive 7 of the Accounting Standards Board. This process will be completed in-house after the appraisors report has been completed. This information should be finalised within the 2012 financial year as required.

The following quantities of assets were included in the Municipality's fixed asset register at R0 value and no acquisition dates respectively:

DESCRIPTION	R0 VALUE	NO PURCHASE DATES	TOTAL QUANTITIES
Buildings	-	-	1
Other assets (Note A)	402	402	804
Finance leased assets	-	-	29
TOTAL	402	402	834

Note A - Included in other assets are Motor Vehicles, Equipment, Furniture and Fittings and Computer Equipment.

As per the table above, there is still a lot of work to be done in the next two financial years.

The Municipality has applied the measurement transitional provisions of property, plant and equipment as included in Directive 4 of the Accounting Standards Board. As a result no depreciation (including accumulated depreciation) were recognised in the financial statements. Impairment expense was however recognised for all fixed assets that were broken down/outdated beyond the economical means of repair/upgrade and all fixed assets that were lost (stolen).

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value	Right to use land	Computer Software	Total
	R	R	R
as at 1 July 2010	-	540 176	540 176
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	-	-	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
as at 30 June 2011	-	540 176	540 176
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-
7.2 Reconciliation of carrying value			
as at 1 July 2009	-	408 598	408 598
Cost	-	408 598	408 598
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	-	131 578	131 578
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
as at 30 June 2010	-	540 176	540 176
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-

7 INTANGIBLE ASSETS (continued)

7.3 Transitional provisions applied and progress made

Cost prices and purchase dates of most of the municipality's assets were not available at year end to calculate depreciation for the year (incl. backlog depreciation). However the municipality has appointed a sworn apprasor / valuator and is in the process of obtaining market values to use as deemed cost prices in accordance with Directive 7 of the Accounting Standards Board. This process will be completed in-house after the appraisors report has been completed. This information should be finalised within the 2012 financial year as required.

The following quantities of assets were included in the Municipality's fixed asset register at R0 value and no acquisition dates respectively:

DESCRIPTION	R0 VALUE	NO PURCHASE DATES	TOTAL QUANTITIES
Computer software	-	-	5
TOTAL	-	-	5

As per the table above, it is clear that great progress has been made and only one out of five intangibles assets still has to be valued.

The Municipality has applied the measurement transitional provisions for intangible assets as included in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.

	2011 R	RESTATED 2010 R
8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	2 327 812	1 675 286
Other creditors	381 010	187 095
Staff leave accrual	1 152 537	804 532
Staff bonuses accrual	546 767	440 573
Audit fees accrual	-	955 800
Accrued interest: Finance leases	-	20 467
Total creditors	4 408 126	4 083 753

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

9 VALUE ADDED TAX		
9.1 VAT RECEIVABLE		
VAT receivable	1 849 053	1 057 438
The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.		

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
10.1 Unspent Conditional Grants from other spheres of Government	631 446	1 236 480
Financial Management Grant	-	-
Municipal Systems Implementation Grant	156 936	28 679
Provincial Infrastructure Grant	474 510	1 207 801

10.2 Other Unspent Conditional Grants and Receipts		
THETHA Grant	36 080	36 080
Total Unspent Conditional Grants and Receipts	667 526	1 272 560

See note 14 (and Appendix F) for reconciliation of grants from other spheres of government. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.

2011	Minimum lease payment R	Future finance charges R	Present value
			of minimum lease payments R
Amounts payable under finance leases			
Within one year	664 339	266 392	397 947
Within two to five years	432 356	70 067	362 289
	1 096 695	336 459	760 236
Less: Amount due for settlement within 12 months (current portion)			(397 947)
			362 289

The average lease term is 3 years and the average effective borrowing rate is 22.35%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate at 10%/15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	2011 R	2010 R
11 FINANCE LEASE LIABILITY (continued)		
2010		
	Minimum lease payment	Future finance charges
	R	R
Amounts payable under finance leases		Present value of minimum lease payments
		R
Within one year	607 223	352 706
Within two to five years	1 096 651	336 458
	<u>1 703 874</u>	<u>689 164</u>
Less: Amount due for settlement within 12 months (current portion)		1 014 710
		<u>(254 517)</u>
		<u>760 193</u>
<p>The average lease term is 3 years and the average effective borrowing rate is 22.35%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate at 10%/15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p>		
12 RENTAL INCOME		
Rental of office space	288 676	222 600
Rental of facilities	2 281	2 061
Total rental income	<u>290 957</u>	<u>224 661</u>
13 INTEREST EARNED		
Current bank account	11 961	71 640
Money market and call accounts	166 392	796 020
Outstanding receivables	201 486	56 853
Electricity deposit	3 071	2 951
Total interest	<u>382 910</u>	<u>927 464</u>
14 GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Proceeds from sale of assets	774 286	238 545
Less book value of disposed assets	(819 506)	(187 112)
Cost price	(819 506)	(187 112)
Less accumulated depreciation	-	-
Gain/(Loss) on disposal of assets	<u>(45 220)</u>	<u>51 433</u>
<p>The Municipality has applied the measurement transitional provisions for property, plant and equipment as included in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.</p> <p>Refer to note 6 and note 7 for further details and progress on the transitional provisions applied.</p>		
15 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	42 219 236	21 210 750
Equitable share	15 186 457	12 010 750
COGTA and Treasury Financial Assistance Grant	27 032 779	9 200 000

	2011 R	2010 R
15 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Conditional Grants	2 355 034	3 613 709
Financial Management Grant	1 000 000	1 000 000
Municipal Systems Implementation Grant	621 743	780 350
Provincial Infrastructure Grant	733 291	1 392 199
THETHA Grant	-	441 160
Total Government Grant and Subsidies	44 574 270	24 824 459
No grants were withheld due to unfulfilled conditions.		
15.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year accrued	15 186 457	12 010 750
Conditions met - transferred to revenue	(15 186 457)	(12 010 750)
Conditions still to be met - remain liabilities (see note 10)	-	-
Equitable share has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.		
15.2 COGTA and Treasury Financial Assistance Grant		
Balance unspent at beginning of year	-	-
Current year receipts	27 032 779	9 200 000
Conditions met - transferred to revenue	(27 032 779)	(9 200 000)
Conditions still to be met - remain liabilities (see note 10)	-	-
The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.		
15.3 Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue (operating expenditure)	(1 000 000)	(1 000 000)
Conditions still to be met - remain liabilities (see note 10)	-	-
The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)		
15.4 Municipal Systems Infrastructure Grant (MSIG)		
Balance unspent at beginning of year	28 679	131 473
Current year receipts	750 000	735 000
Conditions not met - returned to National Treasury	-	(57 444)
Conditions met - transferred to revenue	(621 743)	(780 350)
Conditions still to be met - remain liabilities (see note 10)	156 936	28 679
The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.		

	2011 R	2010 R
15	GOVERNMENT GRANTS AND SUBSIDIES (continued)	
15.5	Provincial Infrastructure Grant (PIG)	
	1 207 801	-
	Balance unspent at beginning of year	
	-	2 600 000
	Current year receipts	
	(733 291)	(1 392 199)
	Conditions met - transferred to revenue	
	474 510	1 207 801
	Conditions still to be met - remain liabilities (see note 10)	
	The grant is used to subsidise municipal capital budget to eradicate backlogs in municipal infrastructure. The grant was specifically allocated for the completion of the sewerage treatment network which will later be transferred to Kopanong Local Municipality at no cost.	
15.6	THETHA Grant	
	36 080	90 240
	Balance unspent at beginning of year	
	-	387 000
	Current year receipts	
	-	(441 160)
	Conditions met - transferred to revenue	
	36 080	36 080
	Conditions still to be met - remain liabilities (see note 10)	
	Grant will be used for Capacity Building of the Municipality.	
15.7	Total Grants	
	1 272 560	221 713
	Balance unspent at beginning of year	
	43 969 236	25 932 750
	Current year receipts	
	-	(57 444)
	Conditions not met - returned to National Treasury	
	(44 574 270)	(24 824 459)
	Conditions met - transferred to revenue	
	667 526	1 272 560
	Conditions still to be met - remain liabilities (see note 10)	
15.8	Changes in levels of government grants	
	Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming financial year.	
16	EMPLOYEE RELATED COSTS	
	13 893 302	10 391 992
	Employee related costs - Salaries and Wages	
	2 798 355	1 800 591
	Employee related costs - Contributions for UIF, pensions and medical aids	
	2 070 531	1 735 154
	Travel, motor car, accommodation, subsistence and other allowances	
	126 534	100 080
	Housing benefits and allowances	
	930 757	793 316
	Bonuses under remuneration	
	19 819 479	14 821 133
	Total Employee Related Costs	
	Remuneration of the Municipal Manager	
	525 964	526 832
	Annual Remuneration	
	44 011	29 870
	Bonuses under remuneration	
	311 241	266 300
	Travel, motor car, accommodation, subsistence and other allowances	
	141 406	50 407
	Contributions to UIF, Medical and Pension Funds	
	1 022 622	873 409
	Total	
	Remuneration of the Chief Finance Officer	
	502 305	454 985
	Annual Remuneration	
	41 834	37 915
	Bonuses under remuneration	
	366 787	198 400
	Travel, motor car, accommodation, subsistence and other allowances	
	9 524	7 994
	Contributions to UIF, Medical and Pension Funds	
	920 450	699 294
	Total	

	2011 R	2010 R
16 EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Corporate Director		
Annual Remuneration	547 566	385 636
Bonuses under remuneration	45 678	12 638
Travel, motor car, accommodation, subsistence and other allowances	162 581	116 558
Contributions to UIF, Medical and Pension Funds	<u>24 965</u>	<u>11 100</u>
Total	<u>780 790</u>	<u>525 932</u>
Remuneration of the Director: Planning and Development		
Annual Remuneration	-	254 497
Bonuses under remuneration	-	20 397
Travel, motor car, accommodation, subsistence and other allowances	-	63 120
Contributions to UIF Medical and Pension Funds	<u>-</u>	<u>27 970</u>
Total	<u>-</u>	<u>365 984</u>
17 REMUNERATION OF COUNCILLORS		
Mayor	568 383	588 321
Speaker	453 197	466 452
Mayoral Committee allowances	917 747	955 218
Councillors' allowances	<u>626 721</u>	<u>375 768</u>
Total Councillors' Remuneration	<u>2 566 048</u>	<u>2 385 759</u>
In-kind Benefits		
The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		
The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).		
18 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	-	-
Finance leased assets	-	-
Intangible assets	<u>-</u>	<u>-</u>
Total Depreciation and Amortisation	<u>-</u>	<u>-</u>
Refer to note 6 and 7 for the measurement transitional provisions applied regarding the measurement of Property, plant and equipment and intangible assets.		
19 REPAIRS AND MAINTENANCE		
Furniture and equipment	234 083	167 026
Computer equipment	426 429	115 861
Building	653 805	1 488 141
Motor vehicles	<u>104 339</u>	<u>149 504</u>
Total repairs and maintenance	<u>1 418 656</u>	<u>1 920 532</u>
During the financial year, the municipality completed a major repair project on the administrative building disclosed in note 6 to the financial statements. This involved re-painting of the walls and major repairs to the roof of the building. However all these building repairs expenses were not capitalised as no improvements were done to the building, the asset (building) was only brought back to its original state.		

	2011 R	RESTATED 2010 R
20 FINANCE COSTS		
Finance lease liabilities	352 618	114 575
Other	144 493	7 171
Total Finance Costs	497 111	121 746
21 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Favourable bank balances and cash	1 358 177	1 882 700
Unfavourable bank balances	-	-
Net cash and cash equivalents (net of bank overdrafts)	1 358 177	1 882 700
Refer to note 1 for more details on cash and cash equivalents		
22 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	394 115	396 192
Assets written off	4 148	149 771
Audit fees	1 581 379	1 749 115
Bank charges	38 177	33 243
Bursaries	105 387	131 860
Conferences and delegations	43 747	16 700
Consulting fees	1 624 812	570 689
Donations:		
Donations - Sewerage Network	1 954 518	-
Donations - Upgrade Cemetry	579 968	-
Other	-	528 447
Disaster management	-	196 990
Entertainment	398 756	414 473
Fuel and oil	275 902	280 805
Insurance	141 800	149 124
Legal expenses	231 767	113 746
Licence fees - vehicles	1 757	4 295
Licence fees - computers	58 668	16 547
Membership fees	166 769	-
Operating grant expenditure (Refer to Note 23)	-	1 638 722
Postage	8 227	4 706
Printing and stationery	221 096	310 719
Professional fees	-	57 088
Security costs	4 277	8 068
Telephone cost	760 939	702 354
Training	888 385	315 893
Travel and subsistence	2 533 716	1 521 325
Water and electricity	67 383	66 138
Other expenses	1 424 265	853 624
Website launch costs	200 000	-
Total general expenditure	13 709 958	10 230 632

	2011 R	RESTATED 2010 R
23 OPERATING GRANT EXPENDITURE		
Equitable Share	15 186 457	12 010 750
COGTA Financial Assistance Grant	27 032 779	9 200 000
Financial Management Grant	1 000 000	1 000 000
Municipal Systems Implementation Grant	621 743	780 350
Provincial Infrastructure Grant	733 291	1 392 199
THETHA Grant	-	441 160
Less grant expenses already included in operating expenses		
Equitable Share	(15 186 457)	(12 010 750)
COGTA Financial Assistance Grant	(27 032 779)	(9 200 000)
Financial Management Grant	(1 000 000)	(390 675)
Municipal Systems Implementation Grant	(621 743)	(74 953)
Provincial Infrastructure Grant	-	(170 972)
THETHA Grant	-	(117 160)
Less capitalised grant expenses		
Provincial Infrastructure Grant	(733 291)	(1 221 227)
Total operating grant expenditure	<u>-</u>	<u>1 638 722</u>
24 CASH RECEIVED FROM CUSTOMERS, GOVERNMENT AND OTHERS		
Total revenue	45 264 547	26 032 489
Adjusted for items presented seperately:		
Gain on disposal of assets	-	(227 375)
Interest earned	(382 910)	(927 464)
Revenue before changes in working capital:	<u>44 881 637</u>	<u>24 877 650</u>
Changes in working capital		
(Increase)/decrease in trade receivables	(687 538)	(20 102)
(Increase)/decrease in sundry receivables	(2 571 426)	(683 357)
(Increase)/decrease in VAT receivable	(791 615)	(886 287)
Cash received from customers, government and others	<u>40 831 058</u>	<u>23 287 904</u>
25 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	(37 396 868)	(29 844 611)
Adjusted for items presented seperately:		
Assets written off	4 148	149 771
Donation of Assets	1 954 518	-
Bad Debts written back	(676 076)	-
Finance costs	497 111	121 746
Loss on disposal of assets	45 220	-
Expenditure before changes in working capital:	<u>(35 571 947)</u>	<u>(29 573 095)</u>
Changes in working capital		
Increase/(decrease) in conditional grants and receipts	(605 034)	1 050 847
Increase/(decrease) in trade payables	324 373	2 160 676
Cash paid to suppliers and employees	<u>(35 852 608)</u>	<u>(26 361 572)</u>
26 CASH GENERATED BY OPERATIONS		
(Deficit)/Surplus for the year	7 867 679	(3 812 122)
Adjustment for:-		
Assets written off	4 148	149 771
Finance costs	497 111	121 746
Bad Debts written back	(676 076)	-
Donation of assets	1 954 518	-
Gain on disposal of assets	-	(227 375)
Interest earned	(382 910)	(927 464)
Loss on disposal of assets	45 220	-
Operating surplus before changes in working capital: carried forward	<u>9 309 690</u>	<u>(4 695 445)</u>

	2011 R	RESTATED 2010 R
26 CASH GENERATED BY OPERATIONS (continued)		
Operating surplus before changes in working capital: brought forward	9 309 690	(4 695 445)
Changes in working capital		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(687 538)	(20 102)
(Increase)/decrease in sundry receivables	(2 571 426)	(683 357)
(Increase)/decrease in VAT receivable	(791 615)	(886 287)
Increase/(decrease) in conditional grants and receipts	(605 034)	1 050 847
Increase/(decrease) in trade payables	324 373	2 160 676
Cash generated by/(utilised in) operations	4 978 450	(3 073 668)
27 CORRECTION OF ERROR		
The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors.		
27.1 Leave Accrual misstated		
The leave accrual was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <i>The effect on the financial statements is as follows:</i>		
Increase in leave accrual		(26 754)
Decrease in accumulated surplus (opening balance)		26 754
27.2 Trade and other payables		
Various trade payables were misstated in the prior year. Reconciliations were performed in the current financial year and resulted in the change in the balance payable to these trade payables. <i>The effect on the financial statements is as follows:</i>		
Decrease in trade and other payables		85 967
Increase in accumulated surplus (opening balance)		(85 967)
27.3 Accrued income		
Accrued income was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <i>The effect on the financial statements is as follows:</i>		
Increase in accrued income		91
Increase in interest income		(91)
27.4 Assets written off		
The Assets written off expense was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <i>The effect on the financial statements is as follows:</i>		
Increase in general expenses		11 170
Decrease in other assets		(11 170)
27.5 Vat Control		
The Vat control account together with the related Vat provision accounts was reconciled during the 2010/2011 financial year. Various errors relating to the prior periods were detected during this process. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <i>The effect on the financial statements is as follows:</i>		
Decrease in Vat Control		(54 093)
Decrease in accumulated surplus (opening balance)		54 093

	2011 R	2010 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
28 Unauthorised expenditure		
28.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	2 934 185	462 781
Unauthorised expenditure current year	3 604 257	2 934 185
Approved by Council or condoned		
- Prior year	-	(462 781)
- Current year	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>6 538 442</u>	<u>2 934 185</u>
The unauthorised expenditure relates to the unbudgeted expenditure during the financial year.		
Full report is to be given to Council for condonement at the next possible Council meeting.		
28.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	6 754	-
Fruitless and wasteful expenditure current year	56 107	6 754
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>62 861</u>	<u>6 754</u>
The municipality early redeemed a fixed deposit during the financial year and forfeited interest income amounting to R45,890.00		
No disciplinary proceedings have been instituted as this was an operational matter.		

	2011 R	- 2010 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL		
28 EXPENDITURE DISALLOWED (continued)		
28.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	2 252 654	449 104
Irregular expenditure current year	12 048 766	1 803 550
Condoned or written off by Council		
- Prior year pre 2010	(300 904)	-
- Prior year 2010	(669 982)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>13 330 534</u>	<u>2 252 654</u>
The breakdown of the above expenditure is as follows:		
- Tax clearance certificates not obtained as per SCM policy	140 808	-
- Sufficient quotations obtained but lowest not appointed	-	13 550
- Tender process not followed as required by SCM policy	9 789 776	1 083 023
- Insufficient quotations obtained as required by SCM policy	2 118 182	656 432
- Remuneration above upper limits determined by SALGA	-	50 545
Total irregular expenditure	<u>12 048 766</u>	<u>1 803 550</u>
The irregular expenditure is still under investigation.		
29 ADDITIONAL DISCLOSURES IN TERMS OF MFMA		
29.1 Contributions to organised local government		
Opening balance	-	12 500
Council subscriptions	152 829	120 000
Amount paid - current	(120 000)	(12 500)
Amount paid - previous years	-	(120 000)
Balance unpaid (included in payables)	<u>32 829</u>	<u>-</u>
29.2 Audit fees		
Opening balance	955 800	102 993
Current year audit fee	1 885 755	1 749 115
Amount paid - current year	-	(793 315)
Amount paid - previous years	(2 472 222)	(102 993)
Balance unpaid (included in payables)	<u>369 333</u>	<u>955 800</u>
29.3 VAT		
Opening balance	1 057 438	266 132
Movement in control account	1 248 167	1 500 554
VAT received/(paid) during the year	(456 552)	(709 248)
VAT receivable/(payable) at year end	<u>1 849 053</u>	<u>1 057 438</u>
VAT input receivables is shown in note 9.		
29.4 PAYE and UIF		
Opening balance	225 137	150 243
Current year payroll deductions	3 601 968	2 514 362
Amount paid - current year	(3 269 088)	(2 289 225)
Amount paid - previous years	(225 137)	(150 243)
Balance unpaid (included in payables)	<u>332 880</u>	<u>225 137</u>
Payments for the June 2011 month were made in July 2011		

	2011 R	RESTATED 2010 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
29		
29.5		
	(40 317)	-
	1 824 223	3 039 074
	(1 774 533)	(3 079 392)
	-	-
	<u>9 373</u>	<u>(40 317)</u>
	Payments for the June 2011 month were made in July 2011	
29.6		
	Refer to note 1 to the financial statement for the additional disclosures as required by S.125(2)(a) of the MFMA in respect of each bank account held by the municipality during the financial year.	
29.7		
	Refer to note 1 to the financial statements for the additional disclosures as required by S.125(2)(a) of the MFMA in respect of each investments held by the municipality during the financial year. For the current and prior financial year, the municipality only invested in call account and fixed deposits. These are classified as part of cash and cash equivalents as per the municipality's accounting policy.	
29.8		
	-	-
	The Municipality had no Councillor's arrear consumer accounts at the reporting date.	
29.9		
	Non-Compliance with Chapter 11 of the Municipal Finance Management Act	
	The municipality has assessed compliance with Chapter 11 of the MFMA and identified non-compliances as stated in note 28.3 to the financial statements.	

	2011 R	RESTATED 2010 R
30 Investments		
Financial instruments		
Unlisted		
Held-to-maturity financial assets		
Held-to-maturity investments maturing 4 to 12 months	5 031 973	4 130 716
Total Held-to-maturity financial assets	5 031 973	4 130 716
Total Investments	5 031 973	4 130 716

Held to maturity investments comprises a fixed deposit held at FNB with account number 71246266863 (2010 - 71246266863) and maturing on the 7th December 2011 (2010 - 20 November 2010). The interest rate is 5.68% (2010 - 6.13%).

31 Long service bonuses

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

The long service awards plan is a defined benefit plan. At year end 69 employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R 91,589 whereas the interest-cost for the next year is estimated to be R 82,826.

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

Average salary increment	8% p.a.	
Discount Rate	8% p.a.	
Maximum years continuous service	15 years	
Resignation / Retirement factor per group:	Group 1	Group 2

The resignation factor / retirement factor indicates based on passed experience the number of employees which will reach the milestones of 5 years, 10 years and 15 years continuous service. The factor has been determined per group, Group 1 represents employees which have not completed 5 years of continuous service at 30 June 2011, Group 2 represents employees which have completed 5 years of continuous service at 30 June 2011.

Before completing 5 years of service	88%	0%
After completing 5 years service but before completing 10 years service	70%	95%
After completing 10 years service but before completing 15 years service	63%	86%

Present Value of Fund Obligations:

Present value of fund obligations at the beginning of the year	-
Fair value of plan assets	-
Unrecognised past service costs	-
Unrecognised actuarial gains / (losses)	-
Present value of unfunded obligations	602 890
Net liability / (asset)	602 890
Reconciliation of present value of fund obligations	
Present value of fund obligations at the beginning of the year	-
Total expenses	602 890
Current service costs	602 890
Interest costs	-
Actuarial gains / (losses)	-
Present value of fund obligations at the end of the year	602 890

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

Effect on the aggregate of the current service cost and interest components	31 963
Effect on the defined benefit obligation	31 963

	2011 R	2010 R
32 CAPITAL COMMITMENTS		
32.1 Commitments in respect of capital expenditure		
- Approved and contracted for		
Other assets	-	2 217 625
- Approved but not yet contracted for		
Other assets	-	658 053
Total capital commitments	<u>-</u>	<u>2 875 678</u>
This expenditure will be financed from:		
- Government Grants	-	1 234 935
- Own resources	-	1 640 743
Total	<u>-</u>	<u>2 875 678</u>

32 CAPITAL COMMITMENTS (continued)

32.2 Operating leases		
Operating leases – as lessor		
Minimum lease payments due		
Within one year	-	279 140
In second to fifth year inclusive	-	-
After five years	-	-
Total	<u>-</u>	<u>279 140</u>

Operating leases consists of the following:

A portion of the Municipality's building is held to generate rental income. At year end the rental contracts for the 2011/2012 financial year had not yet been concluded.

33 RETIREMENT BENEFIT INFORMATION

33.1 Defined contribution plan

Xhariep District Municipality and its employees contribute to various funds which provide benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income. No actuarial information was available for the funds listed below on the preparation of financial statements.

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Free State Municipal Pension Fund
- SAMWU National Provident Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund

	2011 R	2010 R
34 CONTINGENT LIABILITY		
The Municipality had no contingent liabilities at the reporting date.		
35 CONTINGENT ASSET		
Disestablishment of Motheo District Municipality:		
Motheo District Municipality was disestablished through the issuing of Provincial Gazette number 13 of 2011 dated 16 May 2011 by the Member of the Executive Council responsible for Cooperative Governance, Traditional Affairs and Human Settlements. The Gazette further stipulates the following:		
"After completion of all capital projects at the municipality, or the transfers of any incomplete capital project and the funding pertaining to such a project to the relevant municipality at the end of the current financial year, the remainder of all investments, cash and cash balances of the Motheo district municipality after the payment of all liabilities and debts are divided as follows:		
(a) 50% transferred to Xhariep district municipality;		
(b) 30% transferred to Thabo Mofutsanyane district municipality, and		
(c) 20% transferred to Mangaung metropolitan municipality."		
Based on initial information obtained from the Motheo District Municipality (MDM), the Xhariep District Municipality should receive approximately R27,000,000 based on the annual financial statements of MDM at 30 June 2011.		
36 IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any in-kind donations and assistance during the current financial year.		
37 RELATED PARTIES		
Post employment benefit plan for employees of municipality and/or other related parties. Refer to note 33 for the details.		
Compensation to Councillors and other key management (refer to note 16 & 17).		
38 EVENTS AFTER THE REPORTING DATE		
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		
39 KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS		
The following areas involve a significant degree of estimation uncertainty:		
Provision for doubtful debts	83 353	920 467
Depreciation and impairment of assets	-	-
Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets or liabilities.		

	2011	2010
	R	R
40	RISK MANAGEMENT	
40.1	Maximum credit risk exposure	
	Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. 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:	
	- ABSA Bank: Current Account	1 346 663 216 256
	- First National Bank: Call Deposits	11 431 1 666 444
	- First National Bank: Fixed Deposits	5 031 973 4 130 716
	- ABSA Bank: Credit Cards	(8 691) -
	- Trade and other receivables	2 224 968 861 354
	These balances represent the maximum exposure to credit risk.	
40.2	Liquidity risk	
	The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.	
	Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.	
40.3	Interest rate risk	
	The municipality's interest rate risk arises from finance lease liabilities, credit cards & investments. These are issued at variable rates and expose the Municipality to cash flow interest rate risk. Financial instruments that are issued at fixed rates expose the municipality to fair value interest rate risk.	
	At year end, financial instruments exposed to interest rate risk were as follows:	
	- ABSA Bank: Current Account	1 346 663 216 256
	- First National Bank: Call Deposits	11 431 1 666 444
	- First National Bank: Fixed Deposits	5 031 973 4 130 716
	- ABSA Bank: Credit Card	(8 691) -
	- Finance Lease Liabilities	(760 236) (1 014 709)
40.4	Other price risk	
	The municipality has no exposure to changes in price risk.	
41	COMPARISON WITH THE BUDGET	
	The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix A1 & A2.	

	2011 R	2010 R
42 GOING CONCERN		

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

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

Management has budgeted for Intergovernmental grants amounting to R53,295,000 for the 2011/2012 financial year. Included in this total is an amount of R30,000,000 being financial assistance which is to be received from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements. To date an amount of R10,000,000 has been received from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements. The Xhariep District Municipality has not received any written confirmation or guarantee from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements that the commitment with respect to the remaining R20,000,000 will be honored.

Should the R20,000,000 not be received it would impact on the ability of the Xhariep District Municipality to render the required services within this district as well as the District Municipality's ability to continue as a going concern in the foreseeable future.

Disestablishment of Motheo District Municipality:

Motheo District Municipality was disestablished through the issuing of Provincial Gazette number 13 of 2011 dated 16 May 2011 by the Member of the Executive Council responsible for Cooperative Governance, Traditional Affairs and Human Settlements. The Gazette further stipulates the following:

"After completion of all capital projects at the municipality, or the transfers of any incomplete capital project and the funding pertaining to such a project to the relevant municipality at the end of the current financial year, the remainder of all investments, cash and cash balances of the Motheo district municipality after the payment of all liabilities and debts are divided as follows:

- (a) 50% transferred to Xhariep district municipality;
- (b) 30% transferred to Thabo Mofutsanyane district municipality, and
- (c) 20% transferred to Mangaung metropolitan municipality."

Based on initial information obtained from the Motheo District Municipality (MDM), the Xhariep District Municipality should receive approximately R27,000,000 based on the annual financial statements of MDM at 30 June 2011.

XHARIEP DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX A1

	Accrual Basis		Modified Cash Basis		Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
REVENUE							
Rental income	290 957	-	290 957	281 444	(9 513)	-3.38%	Rental revenue includes small rentals of the side halls. These were not utilised more than expected during the year
Interest earned	382 910	(19 082)	363 828	163 257	(200 571)	-122.86%	An increase due to improved controls with regards to revenue and investments.
Government grants and subsidies	44 574 270	(1 814 250)	42 760 020	43 427 339	667 319	1.54%	Actuals include prior year grants for which conditions were met in current year, i.e. roll-overs.
Other income	16 410	-	16 410	256 934	240 524	93.61%	Other income includes sale of tender fees. In general, far less tenderers tendered than expected numbers.
TOTAL REVENUE	45 264 547	(1 833 332)	43 431 215	44 128 974	697 759		
EXPENDITURE BY NATURE							
Employee related costs	19 819 479	(1 078 516)	18 740 963	21 655 337	2 914 374	13.46%	Mainly due to travelling and subsistence allowances being classified under general expenditure.
Remuneration of Councillors	2 566 048	-	2 566 048	2 512 475	(53 573)	-2.13%	Insignificant variance (below 10%) and accepted by management.
Bad debts and impairment of debtors provision	(659 604)	659 603	(1)	-	1	0.00%	Not applicable
Depreciation and amortisation expense	-	-	-	-	-	0.00%	Not applicable
Loss on disposal of assets	45 220	-	-	-	-	0.00%	The loss on disposal of assets was not budgeted for during the year.
Repairs and maintenance	1 418 656	-	1 418 656	3 427 764	2 009 108	58.61%	Mainly due to the capitalising of items seen as repairs and maintenance during the budget process but at financial statement preparation treated as Capex Due to GRAP conversion process that commenced at year end, the municipality had to recognise the finance lease expenditure in respect of the finance leases.
Finance costs	497 111	-	497 111	964 696	467 585	48.47%	These were not budgeted for as these were only quantified during the GRAP conversion that started after the budget was approved by council.
General expenses	13 709 958	-	13 709 958	14 242 459	532 501	3.74%	All Finance Lease payments were budgeted for as General Expenses. With the GRAP conversion adjustments, General Expenses were reduced and reallocated to Finance Lease Liabilities and Finance Costs.
Total operating expenditure by nature	37 396 868	(418 913)	36 932 735	42 802 731	5 869 996		
Capital expenditure	4 876 926	-	4 876 926	1 326 242	(3 550 684)	-267.73%	Mainly due to the capitalising of items seen as repairs and maintenance during the budget process but at financial statement preparation treated as Capex.
Total expenditure by nature	42 273 794	(418 913)	41 809 661	44 128 973	2 319 312		
Grants and subsidies received GRAP adjustment	1 814 250						
Accrued Interest	19 082						
Bad debts and impairment of debtors provision	(659 603)						
Employee related costs	1 078 516						
Leave accrual movement	369 432						
Long service liability	602 890						
Bonus accrual movement	106 194						

XHARIEP DISTRICT MUNICIPALITY
 ACTUAL VERSUS BUDGET (CAPITAL EXPENDITURE)
 FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX A1 (continued)

DESCRIPTION	Accrual Basis		Modified Cash Basis		Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
EXPENDITURE BY DEPARTMENT							
Council General	4 130 734	-	4 130 734	4 511 594	380 860		8% Insignificant and Accepted. Less spending due to delays in fully implementing certain functions like the Risk
Municipal Manager	5 488 018	-	5 488 018	6 140 332	652 314		11% office that were budgeted for.
Budget and Treasury	6 219 201	659 603	6 878 804	7 851 797	972 993		12% Underspending due to savings on the employment related costs. Less spending due to delays in fully implementing certain functions like filling of
Corporate Services	12 330 711	(1 078 516)	11 252 195	14 699 447	3 447 252		23% vacant posts and renovations.
Planning and Development	9 228 204	-	9 228 204	9 599 561	371 357		4% Insignificant and Accepted.
Total expenditure by department	37 396 868	(418 913)	36 977 955	42 802 731	5 824 776		

APPENDIX A2

DESCRIPTION	Accrual Basis		Cash Basis	Cash Basis	Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
Building	1 948 526	-	1 948 526	140 000	(1 808 526)	-1292%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage
Furniture and equipment	255 996	-	255 996	296 242	40 246	14%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage
Computer Equipment	572 543	-	572 543	70 000	(502 543)	-718%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage
Motor vehicles	1 670 528	-	1 670 528	820 000	(850 528)	-104%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage
Office Equipment	429 333	-	429 333	-	(429 333)	-100%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage
Total capital expenditure	4 876 926	-	4 876 926	1 326 242	(3 550 684)		

**XHARIEP DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2011**

APPENDIX B - UNAUDITED

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Redeemed / written off during the period	Balance at 30 June 2011	Cost Price of Property, Plant & Equipment	Asset Capitalised	Depreciation Period	Other Costs in accordance with MFMA
			R	R	R	R	R			R
LONG-TERM LOANS										
None	N/A	N/A	-	-	-	-	-	-	N/A	-
TOTAL EXTERNAL LOANS			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>

Xhariep District Municipality had no external loans as at 30 June 2009 and 30 June 2010 respectively.

APPENDIX C - UNAUDITED
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
LAND AND BUILDINGS												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	13 257 213	1 948 526	-	-	15 205 739	-	-	-	-	-	-	15 205 739
	13 257 213	1 948 526	-	-	15 205 739	-	-	-	-	-	-	15 205 739
OTHER ASSETS												
Furniture and equipment	349 567	255 996	-	-	605 563	(5 635)	-	-	-	(5 635)	-	599 928
Computer Equipment	998 768	572 543	-	-	1 571 311	(144 136)	-	-	(4 148)	(148 284)	-	1 423 027
Motor vehicles	459 639	1 670 528	(819 506)	-	1 310 661	-	-	-	-	-	-	1 310 661
Office Equipment	55 394	429 333	-	-	484 727	-	-	-	-	-	-	484 727
	1 863 368	2 928 400	(819 506)	-	3 972 262	(149 771)	-	-	(4 148)	(153 919)	-	3 818 343
WORK IN PROGRESS												
Sewerage construction	1 221 227	733 291	(1 954 518)	-	-	-	-	-	-	-	-	-
	1 221 227	733 291	(1 954 518)	-	-	-	-	-	-	-	-	-
FINANCE LEASE ASSETS												
Office Equipment	1 281 358	-	-	-	1 281 358	-	-	-	-	-	-	1 281 358
	1 281 358	-	-	-	1 281 358	-	-	-	-	-	-	1 281 358
TOTAL	17 623 166	5 610 217	(2 774 024)	-	20 459 359	(149 771)	-	-	(4 148)	(153 919)	-	20 305 440

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX C - UNAUDITED (continued)

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R		
LAND AND BUILDINGS												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	13 257 213	-	-	-	13 257 213	-	-	-	-	-	-	13 257 213
	13 257 213	-	-	-	13 257 213	-	-	-	-	-	-	13 257 213
OTHER ASSETS												
Furniture and equipment	239 868	109 699	-	-	349 567	-	-	-	(5 635)	(5 635)	-	343 932
Computer Equipment	422 670	596 932	(20 834)	-	998 768	-	-	-	(144 136)	(144 136)	-	854 632
Motor vehicles	317 693	297 053	(155 107)	-	459 639	-	-	-	-	-	-	459 639
Office Equipment	26 190	29 204	-	-	55 394	-	-	-	-	-	-	55 394
	1 006 421	1 032 888	(175 941)	-	1 863 368	-	-	-	(149 771)	(149 771)	-	1 713 597
WORK IN PROGRESS												
Sewerage construction	-	1 221 227	-	-	1 221 227	-	-	-	-	-	-	1 221 227
	-	1 221 227	-	-	1 221 227	-	-	-	-	-	-	1 221 227
FINANCE LEASE ASSETS												
Office Equipment	187 800	1 104 728	(11 170)	-	1 281 358	-	-	-	-	-	-	1 281 358
	187 800	1 104 728	(11 170)	-	1 281 358	-	-	-	-	-	-	1 281 358
TOTAL	14 451 434	3 358 843	(187 111)	-	17 623 166	-	-	-	(149 771)	(149 771)	-	17 473 395

XHARIEP DISTRICT MUNICIPALITY
 SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
 FOR THE YEAR ENDED 30 JUNE 2011

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APPENDIX D - UNAUDITED
 SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation						Carrying value
	Opening Balance	Additions	Revaluations	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council	216 172	-	-	-	-	216 172	-	-	-	-	-	-	216 172
Municipal Manager	48 797	-	-	-	-	48 797	-	-	-	-	-	-	48 797
Budget and Treasury	17 050 909	5 610 217	-	-	(2 774 024)	19 887 102	(149 771)	-	(4 148)	-	-	(153 919)	19 733 183
Corporate	307 288	-	-	-	-	307 288	-	-	-	-	-	-	307 288
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	17 623 166	5 610 217	-	-	(2 774 024)	20 459 359	(149 771)	-	(4 148)	-	-	(153 919)	20 305 440

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation						Carrying value
	Opening Balance	Additions	Revaluations	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council	216 172	-	-	-	-	216 172	-	-	-	-	-	-	216 172
Municipal Manager	48 797	-	-	-	-	48 797	-	-	-	-	-	-	48 797
Budget and Treasury	13 879 177	3 358 843	-	-	(187 111)	17 050 909	-	-	(149 771)	-	-	(149 771)	16 901 138
Corporate	307 288	-	-	-	-	307 288	-	-	-	-	-	-	307 288
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	14 451 434	3 358 843	-	-	(187 111)	17 623 166	-	-	(149 771)	-	-	(149 771)	17 473 395

XHARIEP DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

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APPENDIX E - UNAUDITED

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
-	4 376 356	(4 376 356)	Council General	4 989 925	4 130 734	859 191
11 129	4 653 407	(4 642 278)	Municipal Manager	5 541 886	5 488 018	53 868
24 577 729	8 025 369	16 552 360	Budget and Treasury	9 386 923	6 219 201	3 167 722
51 432	9 575 502	(9 524 070)	Corporate Services	16 784 689	12 330 711	4 453 978
1 392 199	3 213 977	(1 821 778)	Planning and Development	8 561 124	9 228 204	(667 080)
26 032 489	29 844 611	(3 812 122)	TOTAL	45 264 547	37 396 868	7 867 679

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX F - UNAUDITED

GRANT DESCRIPTION	Balance as at 1 July 2010	Other Adjustments	Current year receipts	Operating expenditure during the year (Transferred to revenue)	Capital expenditure during the year (Transferred to revenue)	Balance as at 30 June 2011
	R	R	R	R	R	R
Provincial Government Grants						
COGTA Financial Assistance Grant	-	-	27 032 779	(27 032 779)	-	-
Provincial Treasury Grant	-	-	-	-	-	-
Provincial Infrastructure Grant	1 207 801	-	-	-	(733 291)	474 510
National Government Grants						
Equitable share	-	-	15 186 457	(15 186 457)	-	-
Financial Management Grant	-	-	1 000 000	(1 000 000)	-	-
MSIG Grant	28 679	-	750 000	(621 743)	-	156 936
Other Grants and Subsidies						
THETHA Grant	36 080	-	-	-	-	36 080
TOTAL	1 272 560	-	43 969 236	(43 840 979)	(733 291)	667 526