

2021-2022

XHARIEP DISTRICT MUNICIPALITY

ANNUAL REPORT (FINAL) Volume I

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Preface

PROPOSED REVISED ANNUAL REPORT TEMPLATE

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

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

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

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

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

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

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

MFMA Implementation Unit, National Treasury

October 2009

Chapter 2

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

The COVID year 2019/2020 was definitely one of the worst in the history of our country as the CoVID-19 pandemic, which dominated the latter part of the financial year, made it extremely difficult for us to ensure that we achieve our goals for the year. Covid-19 affected all of us on a personal and professional level and we had to respond in a manner that maintained the best interests of our communities. It is a fact that our effectiveness in terms of completing projects was affected negatively, especially on aspects that had to do with community interactions and stakeholder interactions, however, despite that we still managed to perform most of our set targets through the SDBIP as the municipal administration and the Council moved towards the technological virtual platform to execute duties as was dictated by the health requirements and circumstances imposed by the lockdown.

And it is noted that the institution never shutdown due to covid-19 but continued to function within the confines of the legislative prescripts, implemented the working from home principle, and gradually phasing in working from head office as and when situations allowed. We are still cautious of this pandemic or any other that might hamper the normal functioning of the institution, while embracing technology for improvements in management.

The continued decline in the financial assistance and allocation from the Free State Province continues to be a worrying factor with regards to the functioning and sustainability of the District Municipality, this has negatively affected the institution and it has been indicated that the financial assistance from the Province will continue to decline going forward, this is going to render the district ineffective towards its mandate as per the powers and functions allocated to districts.

The Municipality during the year under review had a budget of only R63 285 000.00 towards its service delivery, these include Disaster Management relief, Local economic Development, Municipal Health Services (environmental health) and EPWP combined.

The Office of the Executive Mayor was allocated R400 000.00 towards programs such as special programs which would identify assistance towards struggling households and ensure that some social relief programmes are also implemented.

The district received an Unqualified Audit Opinion for the year under review, which did not change from the one received prior, which is comparatively good for the Xhariep District.

The Municipality is still committed to the Karoo Small Town Revitalisation programme spear headed by SALGA and will continue participating in this important initiative.

During the year under review, Council managed to establish Oversight Committees such as MPAC to ensure compliance throughout its functioning. The Audit and Risk Committee was not functional for the financial year

Chapter 2

under review as a result of the contracts of two members' contract lapsing, therefore that left the two members having active membership and could not form a quorum. The municipality will further incorporate the Risk Management Unit into the Audit and Performance Committee.

As political leaders in our district it is our duty and responsibility to ensure a better life for our constituencies and as a Council we remain focused on ensuring that we support our local municipalities in the delivery of quality services to the communities in the district, however this is grossly impacted by the continued declining of financial assistance to the Xhariep District, this situation throughout the country seems to be unique to this district only.

I want to convey my sincere gratitude to the administration and Council of Xhariep District Municipality, for without their invaluable inputs, we would have not achieved what we have achieved. To our partners in provincial and national government, thank you for the unfailing support. To our local councils and all stakeholders, we extend our warmest thanks, because of your support and contribution, our municipality has remained viable and still a main contributor to service delivery in the district and a lead in good governance.



Cllr NI Mehlomakulu

Executive Mayor

T1.0.1

Chapter 2

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW


It is that time of the year when we must account on the path we have travelled as institutions on government discharged with Constitutional responsibilities to provide services on a sustainable basis to the people of South Africa. As a Constitutional Responsibility this is instructive and Xhariep District Municipality is not immune to this instruction. The year under-review has come and gone with its challenges of economic recession and the challenges of not having a functional Audit Committee. Xhariep has tried its best under the circumstances not to take eyes of the ball and by ensuring that service delivery is not compromised.

The District is grant depended and majority of its operational budget is consumed by the high salary bill. During the year under review various engagements have been held with the provincial government to fund the budget of the municipality.

Reflecting on the past financial year, there is much to be proud of and this has in turn strengthened our sense of purpose as we continue to work with our stakeholders towards the fulfillment of our strategic objectives and path:

- Consistency in terms of payment employee salaries and third parties
- Maintaining the unqualified audit opinion
- The introduction of the District Development Model that serves as a central organising concept to enhance integrated development planning

It is therefore noteworthy to mention that Management worked exceptionally hard to entrench the principles of dedication, accountability and good governance within the Municipality. I also applaud the manner in which staff members executed their responsibilities during the period under review. Our deepest gratitude is extended to the political leadership for their tenacity and oversight role on the work we do.

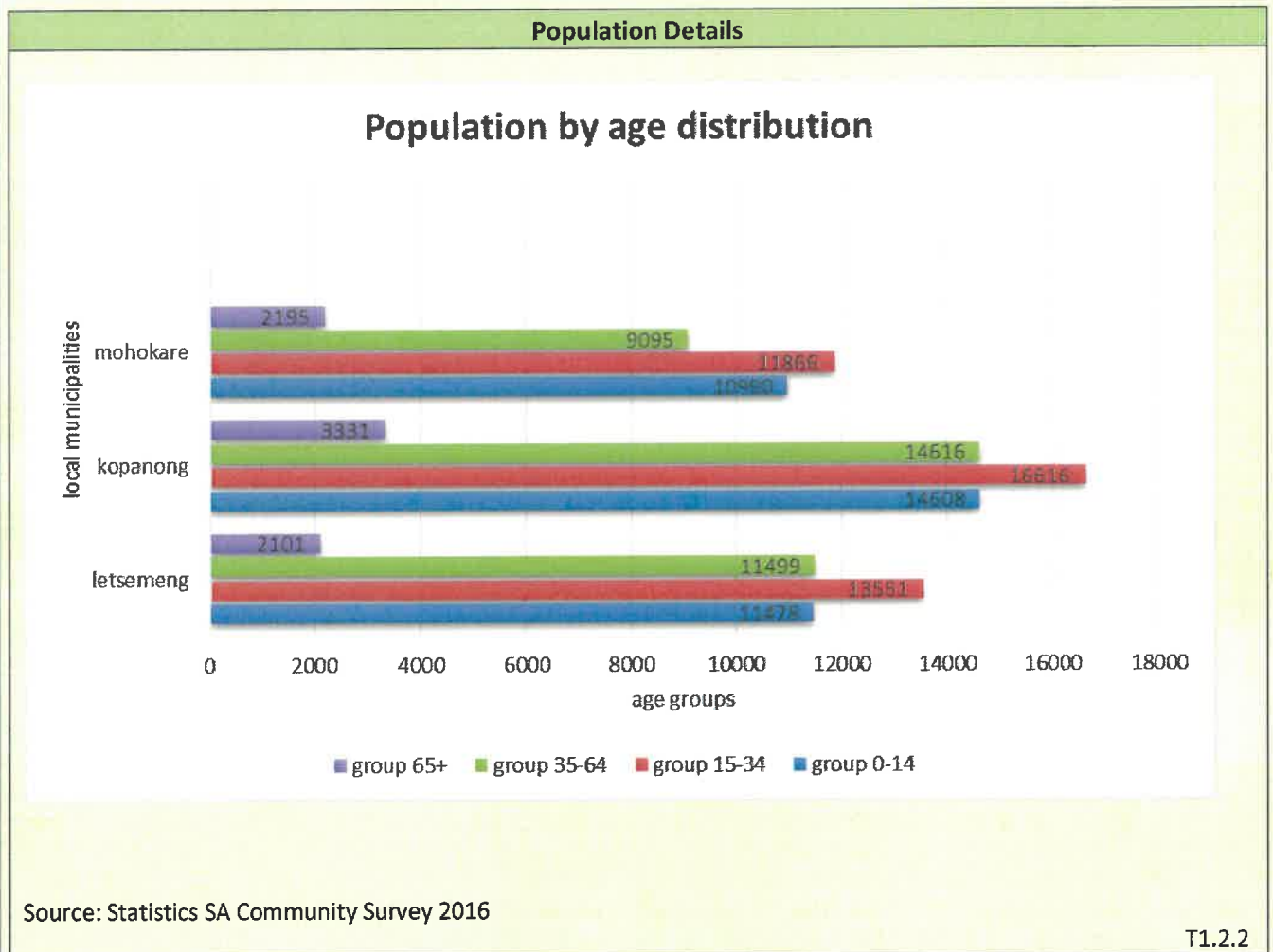


Me. LY Moletsane
Municipal Manager

T1.1.1

Chapter 2

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW



INTRODUCTION TO BACKGROUND DATA

Out of 16 district functions, Xhariep district municipality is performing 6(37.5%) of these functions. Xhariep District is the smallest compared to the others within Free State Province with about 5.2% share of the total provincial population. The population of the District stands at 125 884 with a negative growth rate of 1.07. Sixty (60%) of the population is in the working age cohort of 15-64 years.

T 1.2.1

Chapter 2

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

Overview of Neighborhoods within Xhariep District Municipality'		
Settlement Type	Households	T1.2.6
Formal		
2019-2020	39 571	
2020-2021	39 893	
2021-2022	39 893	
Traditional		
2019-2020	1906	
2020-2021	66	
2021-2022	66	
Informal settlements		
2019-2020	5 446	
2020-2021	4 512	
2021-2022	4 512	
Source: STATSSA COMMUNITY SURVEY 2016		

Chapter 2

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

BACKGROUND DATA

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

T1.2.8

1.3. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

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

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

T1.4.1

Chapter 2

Financial Overview - 2021/2022			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Revenue	63,471	63,285	55 633
Grants	61,832	61,536	52 628
Rental of facilities	939	649	579
Interest Earned	620	1 012	493
Other Income	60	88	1 933
Public contributions donations and other transfers			
Expenditure	62,985	62,315	70 093
Surplus / Deficit	486	970	(14 460)
T1.4.2			

Operating Ratios	
Detail	%
Employee Cost	70.50%
Repairs & Maintenance	0.50%
Finance Charges & Impairment	0.08%
T1.4.3	

COMMENT ON OPERATING RATIOS

Employee related costs (inclusive of councilor's remuneration) constitutes 70.50% of the total expenditure and excessively high, repairs and maintenance 0.50% significantly lower than the 8% NT guide while finance charges and impairments are curbed at lower of 0.08%.

T1.4.3

Chapter 2

ORGANISATIONAL DEVELOPMENT PERFORMANCE

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

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

T1.5.1

1.4. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT 2020-2021

The Municipality received an unqualified opinion. The following are the issues that lead to the audit outcome mentioned above:

- Material adjustments in the Annual Financial Statements and the Annual Performance Report;
- Material Impairment
- Material uncertainty relating to going concern;
- Irregular, Fruitless and Wasteful Expenditure; and
- Non investigation by MPAC.
- No follow up on Audit Action Plan and reporting.

T 1.6.1

Chapter 2

1.5. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalised the 4th quarter Report for previous financial year	
4	Submit draft 2021-2022 Annual Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
10	Municipalities receive and start to address the Auditor General's comments	January
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	February
14	Council adopts Oversight report	March
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	March
		T1.7.1

Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

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

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

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

T2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

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

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

The Council has appointed 3 Councilors as MPAC Committee

The Municipal Manager as the Accounting Officer and the three Section 56 Managers were appointed by the Municipal Council of Xhariep District Municipality. The Municipal Manager and the managers directly accountable to the Municipal Manager organize Administration in a manner that enables the Municipality to be responsive to the needs of the Community within its jurisdiction. The Municipal Manager is accountable for the overall performance of the Municipality and she is accountable to the Executive Mayor and Council.

T2.1.0

Chapter 2

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

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

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

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

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

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

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

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

T2.1.1

Chapter 2

POLITICAL STRUCTURE

MAYOR

Cllr NI Mehlomakulu

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

SPEAKER

Cllr MA Shasha

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

CHIEF WHIP

N/A

To ensure political mandates are executed

MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE

Cllr AM Lebaka: Chairperson of the Budget and Treasury Committee

Cllr NJ Garekoe: Chairperson of the Corporate Services Committee

Cllr TD Mochechepa: Chairperson of Planning & Social Development

COMPOSITION OF COUNCIL AS AT 30 JUNE 2020

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

Chapter 2

Economic Freedom Fighters	2	1	1
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T2.1.1

COUNCILLORS

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

Directly Elected Councilors or PR Councillor:

Cllr AM Shasha

Cllr NI Mehloakulu

Cllr NJ Garekoe

Cllr AM Molai

Cllr AJJ Van Rensburg

Cllr TI Phatsoane

Seconded Councilors from Local Municipalities:

Kopanong Local Municipality	Letsemeng Local Municipality	Mohokare Local Municipality
Cllr MG Mokheseng	Cllr AN November	Cllr TD Mochechepa
Cllr RW Van Wyk	Cllr MM Potgieter	Cllr IS Riddle
Cllr MV Malgas	Cllr AM Lebaka	Cllr NA Adoons
Cllr ME Lekoenea		

T2.1.2

Chapter 2

POLITICAL DECISION-TAKING

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

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

T2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer who accounts to the political head, Executive Mayor as well as Council. He further provides guidance and advice to the political structures; also manage the administration of the institution.

The Director: Corporate Services administer the Department of Corporate Services and advice the Municipal Manager with issues relating to administration, human resources and information technology. The Chief Financial Officer administers Budget and treasury Office and advice the Municipal Manager on matters that relate to the finances of the Municipality. The Director: Planning and Social Development is responsible for the affairs of the Department of Planning and Social Development, advices and assists the Municipal Manager on all matters that relates to this department, i.e. planning, local economic development and municipal health services

T2.2.1

Chapter 2

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER

Mrs Lebohang Yvonne Moletsane

DIRECTOR: Corporate Services(Acting)

NY Augustus

Chief Financial Officer

Mr Pihi Vincent Litabe

Director: Planning & Social Development

Mr Mopedi Sam Mohale

T2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

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

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

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

T2.3.2

Chapter 2

DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district.

District Coordinating Forum: Forum consists of the Executive Mayor and 3 primary members of which is the Local Mayors.

Technical Support Committee

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

T2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

T 2.4.0

Chapter 2

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

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

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

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

T2.4.1

Chapter 2

Public Meetings				
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	15 June 2021 Luckhoff	2	7	4
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	22 June 2021 Trompsburg	-	-	Records of this meeting were lost.
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	23 June 2021 Rouxville	4	8	6
				T2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

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

T2.4.3.1

Chapter 3

2.5 IDP PARTICIPATION AND ALIGNMENT

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

Chapter 3

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

As the Head of Administration the Municipal Manager is responsible for the following tasks:

- The formation and development of an economical, effective, efficient and accountable administration.
- The management of the municipality's administration in accordance with legislation applicable to the municipality.
- The implementation of the municipality's integrated development plan.
- The management and provision of services to the local communities in a sustainable and equitable manner.
- The appointment of staff subject to the Employment Equity Act, 1998.
- The management and effective utilisation and training of staff.
- The maintenance of discipline of staff.
- The promotion of sound labour relations and compliance with labour legislation.
- Advising the political structures and political office bearers of the municipality.
- Managing communications between the municipality's administration and its political structures and political office bearers.
- Carrying out the decisions of the political structures and political office bearers of the municipality.
- The administration and implementation of the municipality's by-laws and other legislation.
- The exercise of any powers and the performance of any duties delegated by the municipal council.
- Facilitating participation by the local community in the affairs of the municipality.
- The implementation of national and provincial legislation.

T2.6.0

Chapter 3

2.6 RISK MANAGEMENT

RISK MANAGEMENT

Risk Management is management process, through which municipality identifies, evaluate and control significant risks that can result in failure to attain strategic objectives. Accounting Officer terminated the Risk Management Committee in October 2020 which was performing due to financial constraints.

MFMA, section 62 (1) (c) (i) states that the Accounting Officer of a municipality is responsible for the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems off financial and risk management and internal control. The risk management policies were not approved by council for 2021-2022 financial year because two members of Audit, Performance and Risk Committee's contracts came to an end. The following are the responsibilities of Risk Management:

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

During the annual risk assessment process, strategic and operational risks were assessed for all areas within the municipality. Moreover, for all key risks identified, existing controls were assessed as well as the ability, benefit and cost to improve them.

T2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

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

Municipality's Internal Audit also plays a fundamental role in the review of the processes and adherence to process relating to segregation of duties, procurement process, efficiency of internal controls, and other

Chapter 3

measures to prevent fraud and corruption from occurring. Municipality's Internal Audit also plays a fundamental role in the review of the processes and adherence to process relating to segregation of duties, procurement process, efficiency of internal controls, and other measures to prevent fraud and corruption from occurring.

T2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Both the Supply Chain Management Policy of municipality and Standard for Infrastructure Procurement Delivery and Delivery Management policies are reviewed annually to ensure that they are in line with the Municipal Supply Chain Management Regulations, other applicable legislations and guidelines. The reviewed SCM policy of the municipality for 2021/22 financial year was approved by the Council in July 2021 after incorporation of the Free State Provincial Treasury inputs.

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

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

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

T2.8.1

Chapter 3

2.10 WEBSITES

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	
Current annual and adjustments budgets and all budget-related documents	Yes	
All current budget-related policies	Yes	
The previous annual report (2020-2021)	Yes	
The annual report (2020-2021) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021-2022) and resulting scorecards	Yes	
All service delivery agreements (2021-2022)	No	
All long term borrowing contracts (2021-2022)	No	
All supply chain management contracts above a prescribed value (give value) for 2021-2022	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2021-2022	No	
Contracts agreed in 2021-2022 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in 2021-2022	No	
All quarterly reports tabled in the council in terms of section 52 (d) during 2021-2022	No	
		T2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS

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

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

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

T2.10.1.1

Chapter 3

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

COMPONENT A: BASIC SERVICES

INTRODUCTION TO BASIC SERVICES

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

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

T3.1.0

Employees: Planning Services					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	4	2	2	0	0%
4 – 6	7	6	5	1	20%
7 – 9	0	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	11	9	8	1	9%

Chapter 3

T3.10.4

Financial Performance 2021-2022: Planning Services					
R'000					
Details	2020-2021	2021-2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	14 389	14,913	14,617	11 551	3 066
Expenditure:					
Employees	10 913	10 895	11 602	11 346	256
Repairs and Maintenance	0	0			
Other	2 732	4 223	2 657	1 131	1 526
Total Operational Expenditure	13 645	15,118	14,259	12 477	1 782
Net Operational Expenditure	744	(205)	358	(926)	1 248

T3.10.5

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

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

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

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

T3.11.1

Chapter 3

COMMENT ON LOCAL JOB OPPORTUNITIES

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

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

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

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

Each package has a community development budget of R3 million that will go towards community development projects to be identified by the community.

T3.11.4

Chapter 3

Jobs Created during 2019-2020 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2019-2020	36	0	36	Xhariep District Agri Park, portion of the 1 st phase in Springfontein – Construction of the warehouse and bulk services
	19	0	19	Xhariep District Agri Park, portion of the 1 st phase in Zastron (Farmers Production Support Unit)
2020-2021	55	0	55	Xhariep District Agri Park, portion of the 1 st phase in Zastron (Farmers Production Support Unit)
	157	0	157	Xhariep District Agri Park, portion of the 1 st phase in Springfontein – Construction of the warehouse and bulk services
2021-2022	32	0	32	Periodic maintenance of the National Route N1 section 14 between Springfontein north and Trompsburg, km 2.20 to km 18.60
	30	0	30	Periodic maintenance of the National Route N1 Section 13 Between Springfontein South and Springfontein North, km 41.60 to km 2.20
	53	0	53	Periodic maintenance of the National Route N1 section 13, from Driekuul (km 20.0) to Mount road (km 41.6)
T3.11.5				

Chapter 3

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2019-2020	3	128
2020-2021	3	187
2021-2022	3	188
* - Extended Public Works Programme		T3.11.6

Employees: Local Economic Development Services					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	2	2	2	0	0%
7 – 9	0	0	0	0	0%
10 – 12	0	0	0	0	0%
13 – 15	0	0	0	0	0%
16 – 18	0	0	0	0	0%
19 – 20	0	0	0	0	0%
Total	3	3	3	0	0%
T3.11.8					

Chapter 3

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

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

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

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

Surveillance of premises is also conducted to insure vector control and to monitor health and hygiene standards of premises. Spot raids are conducted with the assistance of SAPS to curb non -compliance by shop owners and seize expired foods. Quarterly monitoring of all premises is conducted by the Environmental Health Practitioners. Current status of compliance for premises inspected for each quarter inspected is as follows: Kopanong LM: Q1 (54%), Q2 (29%), Q3 (45%), Q4 (45%)

Letsemeng LM: Q1 (73%), Q2 (13%), Q3 (70%), Q4 (0%)

Mohokare LM: Q1 (53%), Q2 (80%), Q3 (42%), Q4 (20%)

Health Awareness

The following activities were conducted in order to raise awareness on food safety in the National School Nutrition Program, the plight of the foodborne cases reported and other communicable including COVID-19 and Hep A; and Climate change.

Q1 and Q3 gave focus on community based campaigns were conducted in Kopanong LM, Mohokare LM and Letsemeng LM. The key focus groups were the community, the immune compromised, food handlers and food establishments. The total numbers of campaigns conducted for the two quarters were 11.

Q2 and Q4 targeted early childhood development centres, School learners and school food handlers in all three local municipalities in which a total of 08 campaigns were carried out.

Health Surveillance of Premises

The Environmental Health Practitioners in Xhariep District Municipality conducted Health Care Risk Waste compliance inspections at health care facilities throughout the district. The inspections were conducted in line with the functions of Municipal Health Services, which includes **health surveillance of premises** and **Waste Management** under the **Health Professions Act, 1974 (Act no. 56 of 1974) Regulations defining the scope of profession of Environmental Health: Amendment** and the **Regulations relating to health care waste**

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management in health establishments no. R 375 of 23 May 2014 under the **National Health Act 61 of 2003** which regulates the management of Health care risk waste in the country as well as the **Free State Health Care Risk Waste Policy**, which is a guideline for the management of Health Care Risk Waste in the province. All facilities in Xhariep DM were monitored for all four Quarters which prompted improvement in compliance. Current state of compliance Mohokare LM (100%), Kopanong LM (71%), Letsmeng LM (60 %).

Another key role is the implementation of Regulations Relating to the Management of Human Remains – Government Notice Number – R 363 of 22 May 2013. District Environmental Health Practitioners conduct health inspections of premises and issue out compliance notices to funeral parlors both government and private which are found to be compliant and non-compliant with the set legislation. Only monitoring was conducted in the said financial year, to maintain compliance

T3.64.1

3.67 DISASTER MANAGEMENT

INTRODUCTION TO DISASTER MANAGEMENT

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

Top Four Service Delivery Priorities:

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

The DM Unit main role is to ensure a safe and unwavering environment to the Xhariep district community. Through proper planning the Unit will be able to build resilient communities through the Disaster Management Activities within the district Municipality. A budget for the Disaster Management Contribution has been set aside for affected families. The DM Unit played a vital role by conducting educational programme both at Secondary and Primary Schools in the district municipality. We are also in partnership with Working on Fire (WoF) to conduct Fire Awareness at local level with the assistance of local Councillors

T3.67.1

Chapter 3

Employees: Disaster Management					
Job Level	2020/2021	2021/2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	1	2	1	1	50%
7 – 9	0	0	0	0	0%
10 – 12	0	0	0	0	0%
13 – 15	0	0	0	0	0%
16 – 18	0	0	0	0	0%
19 – 20	0	0	0	0	0%
Total	2	3	2	1	33.3%
					T3.67.4

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COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.69 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

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

The Environmental Health Services Division that is also located within the Department of Planning and Social Development is monitoring the quality of drinking water and final waste water effluent from different local municipalities that fall within its jurisdiction on frequent intervals as required by applicable legislations and policies. Furthermore this division insures compliance of food premises and local municipalities' landfill sites.

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

T3.69.1

Chapter 3

Employees: The Executive and Council					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	6	6	5	0	0%
4 - 6	4	4	5	0	0%
7 - 9	4	4	5	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	14	14	15	0	0%
					<i>T3.69.4</i>

Chapter 3

Financial Performance 2020-2021: The Executive and Council					
R'000					
Details	2020-2021	2021-2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	14 783	13,083	13 083	12 361	722
Expenditure:					
Employees	11 567	12 208	11 723	11 106	617
Repairs and Maintenance	0	0	0	0	0
Other	3 865	1 569	2 611	4 354	(1 743)
Total Operational Expenditure	15 432	13,777	14,334	15 460	(1 126)
Net Operational Expenditure	(649)	(688)	(1 251)	(3 099)	1 848
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.69.5

Employees: Financial Services					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	5	6	5	1	20%
7 - 9	5	6	5	1	20%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	13	15	13	2	13%
					T3.70.4

Chapter 3

Financial Performance 2021-2022: Financial Services					
R'000					
Details	2020-2021	2021-2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13 467	16 337	16 341	13 036	3 305
Expenditure:					
Employees	9 083	9 649	9 881	9 699	182
Repairs and Maintenance	0	0	0	0	0
Other	7 317	3 288	3 926	11 387	(7 461)
Total Operational Expenditure	16 400	12 937	13 817	21 086	(7 269)
Net Operational Expenditure	2 753	3 400	2 524	(8 050)	(5 526)
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.70.5

Chapter 3

3.71 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

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

Purify leave management

Provide accurate inputs- information to payroll

Recruit people with required competencies

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

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

The Human Resources Division advertises all vacant positions as required by the Human Resources Policy Manual and set competencies that are needed from the interested individuals. It is important to highlight that the Municipality appoints only incumbents who meets minimum competency requirements as placed on the advertisement.

T3.71.1

Chapter 3

Employees: Human Resource Services					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	5	4	1	25%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	7	6	1	25%
T3.71.4					

Chapter 3

Financial Performance 2021-2022: Human Resource Services					
R'000					
Details	2020-2021	2021-2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	19 890	19 245	19 244	18 685	559
Expenditure:					
Employees	19 416	18 360	16 947	17 272	(325)
Repairs and Maintenance	379	215	343	348	(5)
Other	3 968	2 643	2 510	3 451	(941)
Total Operational Expenditure	23 763	21 218	19 800	21 071	(1 271)
Net Operational Expenditure	(3 873)	(1 758)	(561)	(2 386)	1 825
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.71.5

3.72 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The main objective of the IT Unit is to

1. Ensure connectivity at all times: This was achieved through enhancement of the bandwidth from 10mbps to 30mbps and the connectivity is much stronger.
2. Ensure stable Network infrastructure: This issue is currently been addressed with a project to revamp the entire network infrastructure.
3. Ensure Servers and server room is fully functional: The servers are fully functional. The network infrastructure project will address other issues such as cumbersome cabling, fire extinguishing, lifting of the floor etc.

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

5. Ensure smooth Telecommunications: The telephone system is not working properly at the moment. There is a service provider on site installing a new telephone system.

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

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

T3.72.1

Employees: ICT Services					
Job Level	2020-2021	2021-2022			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	2	2	2	0	0%

T3.72.4

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COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

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

TOP LAYER PERFORMANCE INFORMATION

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
MUNICIPAL MANAGER												
TL 1	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Employments contracts	Entering into performance agreements with the employer within 30 days of date of appointment/60 days for new appointees	4	3	(1)	This is due to the vacancy of the Director: Corporate Services	The position of the Director: Corporate Services is filled in the new financial year	4	4	0
TL2	To maintain a skilled, capable and diverse workforce in a good working	MT&ID	Performance Management	Assessment of the Performance of Senior Management on a quarterly basis	4	0	(4)	There is no formal committee in place to conduct the evaluation of the performance	Council to appoint a committee that will evaluate the performance of Senior	4	0	(4)

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environment									of Senior Management.	Management in the new financial year		
TL3	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Performance Management	No. of performance analysis reports to Management on a quarterly basis	4	4	0	-	-	4	4	0
TL4	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of Audit Committee	Quarterly Audit Committee meetings	4	2	(2)	The Audit Committee was not functional in the second half of the financial year under review	The municipality to appoint additional Audit Committee members in the new financial year	4	4	0
TL5	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Providing support to Local Municipalities through Technical IGR engagements	No. of Technical IGR meetings held	4	1	(3)	The Technical IGR was not fully functional in the year under review	Management to resuscitate the Technical IGR in the new financial year	2	1	(1)

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TL6	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Audit committee by Senior Management	4	0	(4)	Risk Management reports were compiled but could not be submitted to the Audit Committee due to its non-functionality	The municipality to appoint additional Audit Committee members in the new financial year	4	1	(3)
TL7	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Improved audit outcomes	Monitoring the implementation of AGSA audit action plan and report quarterly	2	2	0	-	-	2	2	0
TL8	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Improved audit outcomes	Obtaining a clean audit outcome for the 2020-2021 audit	1	0	(1)	The municipality received an unqualified audit opinion (with matters of emphasis)	Development of an audit action plan, monitoring and reporting progress made in terms of implementing matters raised by the Auditor General (AGSA)	1	0	(1)

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TL9	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Ensure compliance with Section 32 of the MFMA	Monthly reports on irregular, unauthorised, fruitless and wasteful expenditure	12	12	0	-	12	12	0
TL10	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure compliance with the Regulations of the DMA, 2002	Conducting Risk Assessment to give effect to a COVID-19 ready workplace on a quarterly basis	4	2	(2)	Only two risk assessments on COVID-19 were done due to the Disaster Management regulations being relaxed and eventually the State of Disaster Management coming to an end	4	4	0

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
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CHIEF FINANCIAL OFFICER										
TL 11	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Annual Financial Statements	Compilation AFS on or before 31 Aug 2021 and submission to AGSA	1	1	0	-	-	0
TL12	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Oversee the review and implementation of the Audit Action Plan	Updated Action Plan	2	2	0	-	2	0
TL13	Embed financial viability and sustainability through good financial management principles and	MFV&M	Review of journals prior capturing on the financial system(SAGE)	Quarterly review of journal entries	4	4	0	-	4	0

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TL17	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Compilation of MFMA Sec 52(d) reports to Provincial and National Treasury	Quarterly Sec 52(d) (MFMA) reports	4	4	4	0	-	4	4	0
TL18	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Compilation of SCM reports to Provincial and National Treasury	SCM quarterly reports	4	4	4	0	-	4	4	0
TL19	Embed financial viability and sustainability through good financial management principles and practices	MFV&M	Monitor the implementation of the Demand Management Plan	Quarterly reports on the implementation of the Demand Management Plan	4	4	4	0	-	4	4	0

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TL20	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Audit committee by Senior Management	4	0	(4)	Risk Management reports were compiled but could not be submitted to the Audit Committee due to its non-functionality	The municipality to appoint additional Audit Committee members in the new financial year	4	1	(3)
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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
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DIRECTOR: CORPORATE SERVICES

TL21	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Oversee the compilation and the submission of the WSP	WSP approved by the LLF and submitted to LGSETA in April 2022	1	1	0	-	-	1	1	0
TL22	To maintain a skilled, capable and diverse workforce in a	MT&ID	Employment Equity	Monitor and report on the implementation of the Employment	1	1	0	-	-	1	1	0

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	good working environment			Equity Plan									
TL23	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Work Skills Plan	No. of employees to be trained for the 2021-2022 financial year	8	0	(8)	The municipality could not train the intended number of employees as planned due to the Accounting Officer putting the matter on halt	A new requisition has been made and training will commence in the new financial year	5	0	(5)	
TL24	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Planning of the sitting of Council and Council Committees	Develop schedule for the sitting of Council and Council Committees and table before Council	1	1	0	-	-	1	1	0	
TL25	Embed good governance through sound administrative practices and	MAGC	Ensure that Council sits as regulated by the MSA(Act 32 of	No. of Council (ordinary) meetings	4	6	2	Council had two more meetings due to transitional	Council will sit as prescribed by the Municipal Structures Act in the new	4	3	(1)	

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	improved stakeholder relation	2000)						arrangements for the new Council	financial year	New KPI	New KPI	
TL26	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Stakeholder relations	No. of Political IGR meetings held	2	1	(1)	Preparation of the local government elections led to the non-sitting of the political IGR as planned	The political IGR will sit as planned going forth	New KPI	New KPI	New KPI
TL27	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Stakeholder relations	No. of District Command Council meetings held	4	2	(2)	The district Command Council was not functional for the last half of the financial year due to the state of disaster Management coming to an end	-	2	2	0
TL28	To maintain a skilled, capable	MT&ID	Ensure Functionality of	No. of Local Labour Forum	4	2	(2)	The LLF was not fully	Management and the Labour	4	1	(3)

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	and diverse workforce in a good working environment	the Local Labour Forum	meetings					functional in the first half of the financial year as a result meetings could not sit as planned	unions resuscitated the LLF, meetings will take place as planned in the new financial year			
TL29	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure safety of municipal employees	Purchasing and replacement of fire extinguishers on or before 30 June 2021	1	0	(1)	The municipality could not purchase or replace fire extinguishers due to cash flow problems	The municipality will purchase and replace fire extinguishers when the financial position of the municipality improves	1	0	(1)
TL30	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure safety of municipal employees in terms of the DMA, 2002	Monitor and report compliance to the COVID-19 Workplace Plan	4	2	(2)	Only two reports on COVID-19 Workplace Plan could be compiled due to the Disaster Management regulations being relaxed and	-	4	4	0

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											eventually the State of Disaster Management t coming to an end					
TL31	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management reports submitted to the Audit committee by Senior Management	4	0	(4)	Risk Management reports were compiled but could not be submitted to the Audit Committee due to its non-functionality	The municipality to appoint additional Audit Committee members in the new financial year	4	1	(3)				
REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE				
DIRECTOR: PLANNING AND SOCIAL DEVELOPMENT																
TL32	Create an	BSD&ID	Maintaining and	Ensure that water	4	2	(2)	The contract of	A service	4	4	0				

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	inclusive, responsive, and healthy environment conducive for living and sustainable growth		improving the standard of water quality (compliance to SANS 24)	quality tests are done on a quarterly basis					the service provider for water quality monitoring lapsed and that resulted in the municipality not taking water samples as planned in the third quarter	provider for water quality monitoring has been appointed therefore water samples in the new financial year will be taken as planned		
TL33	Create an inclusive, responsive, and healthy environment conducive for living and sustainable growth	BSD&ID	Ensure that the RRAMS grant is fully utilised by 30 June 2022	% of RRAMS grant spent on a quarterly basis	100%	44%	(56%)		The RRAMS grant was not fully utilised for the year under review due to expenditure that could not be fully verified	A committee will be established to investigate the possible overpayment of the supplier and the work done	100%	0
TL34	Create an inclusive, responsive, and healthy environment conducive for living and	BSD&ID	Play an oversight role in terms of the implementation of the RRAMS project	No. of reports to Management/ Council on the implementation of the RRAMS project	4	0	(4)		The implementation of the RRAMS project could not be reported as planned in the year under	Going forth the municipality will engage with the service provider to	4	0

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	sustainable growth							review	submit quarterly reports on the implementation of the RRAMS project. These reports will then be tabled to Management and subsequently to Council			
TL35	To render efficient environmental health and disaster management services	SD&E	Job Creation	No. of jobs opportunities created through the EPWP	188	188	0	-	-	170	187	17
TL36	To facilitate economic and tourism development to the benefit of the town and all residents	LED	Ensure participation of all local municipalities towards the implementation of LED	No. of LED Forums	4	4	0	-	-	4	4	0

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TL37	To facilitate economic and tourism development to the benefit of the town and all residents	LED	Lobbying of external stakeholders to invest in Xhariep	No. of stakeholder engagement meetings	2	2	0	-	2	2	0
TL38	To render efficient environmental health and disaster management services	BSD&ID	Ensuring HCRW management compliance in health care facilities	No. of reports on Health Care Risk Waste assessment conducted.	4	4	0	-	New KPI	New KPI	New KPI
TL39	To render efficient environmental health and disaster	BSD&ID	Support the implementation of the Disaster Management Plan	No of Disaster Advisory forums planned	4	4	0	-	4	4	0
TL40	To render efficient environmental health and disaster management	BSD&ID	Support the implementation of the Disaster Management Plan	No of disaster educational and awareness campaigns planned	2	2	0	-	2	1	(1)

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DEPARTMENTAL PERFORMANCE

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
D1	Embed good governance through sound administrativ	MAGC	Implementation of the Risk Management, anti-fraud and anti-corruption	No. of Risk Management, anti-fraud and corruption awareness	1	1	0	-	-	1	1	0

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	e practices and improved stakeholder relations	initiatives	sessions held									
D2	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC Risk Management	Development of the Risk Management Register before 31-Sep- 2021	1	1	0	-	1	1	0		
D3	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC Risk Management Reports	No. of quarterly risk assessment reports prepared	4	4	0	-	4	4	0		
D4	Embed good governance through sound administrative practices and improved	MAGC Improved audit outcomes	Reduction of audit findings by 80% in the 2021/2022 financial year	80%	19.67	(60.33)	Audit queries: 2019-2020= 61 Audit queries: 2020-2021=	80%	45.05	(34.95)		

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stakeholder relations								72.(There is an increase of 12 queries)	The Action Plan is monitored on a quarterly basis			
D5	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Functional Internal Audit Unit (MFMA 62(1))	No of quarterly reports prepared for Audit Committee	4	2	(2)	The Audit Committee was not functional in the second half of the financial year under review	The municipality to appoint additional Audit Committee members in the new financial year			
D6	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Development of the Risk based audit plan	Risk based audit plan approved by Audit Committee by 31 August 2021	1	0	(1)	Risk based audit plan was referred back to management by the audit Committee for inputs. After being tabled to management, the audit Committee was no longer functional	The municipality to appoint additional Audit Committee members in the new financial year	1	1	0

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D7	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Compilation of the draft Annual Report	Draft Annual Report approved by Council on or before 31 January 2022	1	1	0	-	1	1	0
D8	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Compilation of the Oversight Report on Annual Report (MFMA 129(1) and MSA 46(2))	Oversight Report adopted by Council on or before 31 March 2022	1	1	0	-	1	1	0
D9	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Mid-Year review of the performance of the municipality (MFMA S72)	Mid-year report submissions (Mayor, Provincial and National Treasury) by 25 January 2022	1	1	0	-	1	1	0

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D10	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Develop IDP / Budget (Time schedule of key deadlines (Process Plan) (MSA 28 / MFMA 21)	Approved IDP Framework and Process Plan on or before 31 Aug 2021	1	1	0	-	1	1	0
D11	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	IDP and Budget Public Participation meetings	No. of meetings held before the approval of the IDP and Budget	3	3	0	-	3	0	(3)
D12	Embed good governance through sound administrative practices and improved stakeholder relations	MAGC	Compile final IDP (MSA 34)	Final IDP approved by Council on or before 30 June 2022	1	1	0	-	1	1	0

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REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
D13	Embed financial viability and sustainability through good financial management	MFV&M	Sound Financial Management	No of monthly MFMA Sec 71 Reports presented to the Executive Mayor	12	12	12	0	-	12	12	0
FINANCIAL SERVICES												
D14	Embed financial viability and sustainability through good financial management	MFV&M	Production of annual Audit file	No of Audit files produced by mid-August 2021	1	1	0	-	-	1	1	0
D15	Embed financial viability and sustainability through good financial	MFV&M	Closing of all municipal financial accounts at the end of each month in	No of monthly reports on the closing of all municipal financial accounts	12	12	0	-	-	12	12	0

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	management	terms of sec 65 of the MFMA										
D16	Embed financial viability and sustainability through good financial management	MFV&M	No of creditors reconciliations done monthly (30 days)	No of creditors reconciliation reports submitted	12	12	0	-	12	12	0	
D17	Embed financial viability and sustainability through good financial management	MFV&M	Financial Viability: Cost coverage (Reg 796)	Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure (SA8)	>1	0.01	(0.99%)	The municipality does not have sufficient cash to fund its operational budget	>1	0.53%	0.47%	
D18	Embed financial viability and sustainability through good financial management	MFV&M	Financial Viability: Debt coverage (Reg 796)	Debt coverage (Total operating revenue- operating grants received)/debt service payments due within the year) (SA8)	>1	0.07%	(0.93%)	Insufficient funds to recover debts.	>1	0.10%	(0.9%)	

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D19	Embed financial viability and sustainability through good financial management	MFV&M	Monthly notification of awards over R 100 000	List of awards	12	12	0	-	-	12	12	0
D20	Embed financial viability and sustainability through good financial management	MFV&M	Effective management of payroll by providing the section 66 payroll report on a monthly basis	Monthly reports to management in terms of section 66 of the MFMA	12	12	0	-	-	12	12	0
D21	Embed financial viability and sustainability through good financial management	MFV&M	Ensure the submission of IRP5's	IRP5's submitted not later than 30 May 2022 to SARS	1	1	0	-	-	1	1	0
D22	Embed financial viability and sustainability through good financial	MFV&M	Monthly salary reconciliations	No of reconciliations done	12	12	0	-	-	12	12	0

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D25	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Development of the Works Skills Plan	WSP approved by the LLF and submitted to the LGSETA on or before 30 April 2022	1	1	0	-	1	1	0
D26	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Provide secured Internet Services	Quarterly reports on the supplier's performance on the effectiveness of Internet Service Provider(ISP)	4	4	0	-	4	4	0
D27	To provide recreational facilities and opportunities and programmes aimed to facilitate and promote community development and social cohesion	CD&E	Special programmes	Conduct 1 outreach NSFAS programme on before 31 December 2021	1	0	(1)	The NSFAS outreach programme could not be conducted as planned due to the contract of the Youth Development Officer that was linked to term of office of Council came to an end			

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D28	To provide recreational facilities and opportunities and programmes aimed to facilitate and promote community development and social cohesion	CD&E	Social Responsibility	Completion of the ablation facility in Luckhoff on or before 31 December 2021	1	0	(1)	The progress in terms of the completion of the ablation facility in Luckhoff could not be reported on due to the contract of the Manager in the office of the Executive Mayor that was linked to term of office of Council came to an end	A new Manager has been appointed and will report the operations of the Office of the Executive Mayor accordingly	New KPI	New KPI	KPI to be reviewed
REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE	
PLANNING AND SOCIAL DEVELOPMENT												
D29	To render efficient environmental health and disaster management	SD&E	Implementation of the Expanded Public Works Programme (EPWP)	No. of quarterly reports on the EPWP progress, grant, staff and wages paid submitted to the	4	2	(2)	Management could not consider reports as planned due to non-adherence to	Management will sit as planned in the new financial year	4	4	0

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services				MM/ Council					management schedule			
D30	To render efficient environmental health and disaster management services	SD&E	Report on the implementation of the EPWP	No. of EPWP steering committee meetings held quarterly	4	3	(1)	Only 3 EPWP Steering Committee meetings could be verified, one virtual meeting that was held in the first quarter could not be verified	The responsible manager to keep records of all meetings that took place	4	4	0
D31	To render efficient environmental health and disaster management services	SD&E	Expenditure of the EPWP Grant	100% Expenditure by end of June 2022	100%	100%	0	-	-	100%	100%	0
D32	To facilitate economic and tourism development to the benefit of the town and all	LED	Making tourism awareness to schools and communities	No. of tourism awareness campaigns conducted quarterly	4	2	(2)	Only 2 tourism awareness campaigns could be verified	The responsible manager to keep records of all awareness campaigns	4	4	0

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	residents								that took place			
D33	To render efficient environmental health and disaster management services	BSD&ID	Environmental Health services	No. of Health Education programmes/projects planned	14	11	(3)	1x session was executed more than once and the budget got affected hence the municipality could not perform the outstanding 3 health education projects programmes/projects	The municipality will avoid executing one programme on several occasions to give full implementation of the initial Plan	3	18	15
D34	To render efficient environmental health and disaster management services	BSD&ID	Water quality monitoring	No of quarterly water quality reports submitted to Management	4	0	(4)	Management could not consider reports as planned due late provision of water results because of non-timeous payment of invoices and the contract of	Management will sit as planned in the new financial year and ensure timeous payment of the service provider	4	4	0

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D35	To render efficient environmental health and disaster management services	BSD&ID	Waste Management (NEMWA & HCRW Policy)	No. of quarterly reports to management on Health Care Risk Waste assessment conducted.	4	4	-	-	the first service provider lapsing	-	New KPI	New KPI	New KPI
D36	To render efficient environmental health and disaster management services	BSD&ID	Food monitoring as per R638	No. of food premises inspected per local municipality on a quarterly basis	Kopanong 60 Letsemeng 50 Mohokare 50	90 47 69	30 (3) 19	There was no sufficient budget for Letsemeng inspections. Kopanong and Mohokare was due to enforcement of Compliance	The municipality to budget accordingly for inspections in the new financial year	New KPI	New KPI	New KPI	New KPI
D37	To render efficient environmental health and disaster management	BSD&ID	Water quality monitoring	No. of water quality samples collected per local municipality	Mohokare 72 Letsemeng 108	64 104	(8) (4)	The contract of the service provider for water quality monitoring lapsed and	A service provider for water quality monitoring has been appointed	66 90	75 108	9 18	

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services				Kopanong 216	194	(22)	that resulted in the municipality not taking water samples as planned	therefore water samples in the new financial year will be taken as planned	198	226	28
D38	To render efficient environmental health and disaster management services	BSD&ID	Improve service delivery to communities	No. of quarterly sanitation(waste water) reports submitted to Management	4	0	(4)	Management could not consider reports as planned due late provision of water results because of non-timeous payment of invoices and the contract of the first service provider lapsing	4	1	(3)
D39	To render efficient environmental health and disaster management	BSD&ID	Improve service delivery to communities	No of quarterly waste water samples taken per local municipality	Mohokare 12	8	(4)	Not all waste water samples were tested or assessed in accordance with the	12	12	0
					Kopanong 4	2	(2)	The municipality will assess the waste water results to establish	8	6	2

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services				Letsemeng 4	3	(1)	specified comprehensive criteria as defined in the National Water Act 36 of 1998 (NWA)	compliance to National Water Act 36 of 1998 before reporting	4	4	0
D40	To render efficient environmental health and disaster management services	BSD&ID	Environmental Health services	No. of people reached for Health Education programmes	200	637	437	More people showed interest in attending the Health Education programmes	125	729	604
D41	To render efficient environmental health and disaster management services	BSD&ID	Disaster Management	No. of municipal disaster management advisory forum meetings held (section 51 of the Disaster Management Act 2002)	4	4	0	-	4	4	0

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D42	To render efficient environmental health and disaster management services	BSD&ID	Disaster Management	No. of Disaster Management awareness sessions held in the District	2	2	0	The Disaster Management awareness sessions could not take place as planned due to the responsible Manager being on sick leave	The Disaster Management awareness sessions for the new financial year will take place as planned because the responsible Manager is back to work	2	1	(1)
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Chapter 3

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

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

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION

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

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

T4.0.1

Chapter 4

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: 2021-2022			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	2	1	50%
Other S57 Managers (Finance posts)	0	0	0%
Managers: Levels 0-3 (excluding Finance Posts)	13	0	0%
Senior management: Levels 0-3 (Finance posts)	3	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	10	2	20%
Highly skilled supervision: levels 9-12 (Finance posts)	4	1	25%
Total	34	9	26.5%
T4.1.2			

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Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2019/2020	1	3	0.03%
2020/2021	8	5	6.0%
2021/2022	11	10	11%
			T4.1.3

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	0	0	0	0	0
					T4.3.1

Chapter 4

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
General Assistants/Maintenance (9-12)	107	0	7	5	15.28	58 015.47
Admin/Clerks(5-8)	162	0	10	13	16.2	182 886.66
Accountants/Officers/Practitioners(4-6)	216	0	17	25	12.7	360 268.36
Middle Management (0-3)	247	0	17	25	9.88	587 606.50
MM and S57	11	0	2	3	5.5	59123.08
Total	743	0	53	71	14.01	1 247 900.07

T4.3.2

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
No cases of suspensions were reported in the 2021-2022 financial year due to good employer and employee relations				

T4.3.5

Chapter 4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
No financial misconduct cases were reported in the 2021-2022 financial year.			
			T4.3.6

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix															
Management level	Gender	Employees in post as at 30 June 2021-2022	Number of skilled employees required and actual as at 30 June 2021-2022												
			Learnerships			Skills programmes & other short courses			Other forms of training				Total		
		No.	Actual: End of 2020-2021	Actual: End of 2021-2022	Target	Actual: End of 2020-2021	Actual: End of 2021-2022	Target	Actual: End of 2020-2021	Actual: End of 2021-2022	Target	Actual: End of 2020-2021	Actual: End of 2021-2022	Target	
MM and s57	Female	1	0	0	0	0	0	0	0	1	1	1	1	1	
	Male	2	0	0	0	0	0	0	0	1	1	1	1	1	
Councillors	Female	6	0	0	0	0	0	0	0	0	0	0	0	0	
	Male	10	0	0	0	0	0	0	0	1	1	1	1	1	
Technicians and associate professionals*	Female	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Male	2	0	0	0	0	0	0	0	0	0	0	0	0	
Professionals	Female	8	0	0	0	0	0	0	0	0	0	0	0	0	
	Male	4	0	0	0	0	0	0	0	1	1	1	1	1	
Sub total	Female	29	0	0	0	0	0	0	0	0	0	0	0	0	
	Male	25	0	0	0	0	0	0	0	0	0	0	0	0	
Total		87	0	0	0	0	0	0	0	3	3	3	3	3	
*Registered with professional Associate Body e.g. CA (SA)															
T4.5.1															

Chapter 4

Financial Competency Development: Progress Report						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials	0	0	0	0	0	0
Chief financial officer	1	1	1	1	1	1
Senior managers	0	0	0	0	0	0
Any other financial officials	2	2	2	0	0	0
Supply Chain Management Officials	0	0	0	0	0	0
Heads of supply chain management units	1	1	1	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	4	4	4	1	1	1
						T4.5.2

Chapter 4

R'000											
			Original Budget and Actual Expenditure on skills development 2021-2022								
Management level	Gender	Employees as at the beginning of the financial year	Learnerships		Skills programmes & other short courses		Other forms of training		Total		
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	
MM and S57	Female	1	-	-	-	-	100 000	100 000	100 000	100 000	
	Male	1	-	-	-	-	-	-	-	-	
Councillors	Female	0	-	-	-	-	-	-	-	-	
	Male	1	-	-	-	-	-	-	-	-	
Managers	Female	0	-	-	-	-	-	-	-	-	
	Male	1	-	-	-	-	-	-	-	-	
Professionals	Female	0	-	-	-	-	-	-	-	-	
	Male	0	-	-	-	-	-	-	-	-	
Clerks	Female	1	-	-	-	-	-	-	-	-	
	Male	1	-	-	-	-	-	-	-	-	
Elementary occupations	Female	0	-	-	-	-	-	-	-	-	
	Male	0	-	-	-	-	-	-	-	-	
Sub total	Female	3	-	-	-	-	-	-	-	-	
	Male	4	-	-	-	-	-	-	-	-	

Chapter 4

Total	13	0	0	0	0	100000	100000	100 000	100 000
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									
T4.5.3									

Chapter 5

Repair and Maintenance Expenditure: 2021-2022				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	215	343	348	(5)
				T5.3.4

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Both the Supply Chain Management Policy of municipality and Standard for Infrastructure Procurement Delivery and Delivery Management policies are reviewed annually to ensure that they are in line with the Municipal Supply Chain Management Regulations, other applicable legislations and guidelines. The reviewed SCM policy of the municipality for 2021/22 financial year was approved by the Council in July 2021 after incorporation of the Free State Provincial Treasury inputs.

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

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

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

T5.12.1

Chapter 5

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2020-2021

Auditor-General Report on Financial Performance 2020-2021	
Audit Report Status*:	Unqualified Opinion (2020 – 2021)
Non-Compliance Issues	Remedial Action Taken
Compliance - AFS, APR, AR: Revised SDBIP, Annual Report and Oversight adoptions (COA.8)(M)(A)	<p>Management will ensure that oversight committee tabled an oversight report within a prescribed legislation by MPAC.</p> <p>Management will ensure that the revised SDBIP is tabled to the council after adjustments.</p>
Compliance - Planning: Consequence Management: No investigations of irregular expenditure (COA.10)(M)(A)	Due to the backlogs of the entire Unauthorized, Irregular, Fruitless and Wasteful Expenditure, Management would ensure a speedy investigations on other the entire populations by MPAC.
Compliance - Expenditure: Payments not made within 30 days (COA.34)(M)(A)	Management would ensure that all payments must be made within 30 days of invoice date.
Compliance - Expenditure management: Steps not taken to prevent UIF expenditure (CoA.44)(M)(A)	Management would ensure that MPAC is sitting as per schedule to ensure that there is consistent reporting for Unauthorized, Irregular, Fruitless and Wasteful Expenditure.
Compliance - SUM (irreg) SCM Business Process: (local content) Non-compliance with the regulations (COA.5)(M)(A)	Management would ensure that SCM Process is followed to ensure that the local content is covered and applied accordingly as recommended.
Compliance / adjusted (irreg))- SCM: Reason for deviation not inline with SCM regulation	<p>Management would ensure that the irregular expenditure is in line with the SCM Policy and other circulars as issued by NT.</p> <p>Management would ensure the consistency in relation to SCM as approved by the Council.</p>
SCM focus area - compliance SCM: Contract Management - No provision for dispute resolution in the contract (CoA.42)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
SCM focus area -compliance SCM: Contract Management: Contract details differ to specifications (COA.40)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
SCM focus area - compliance SCM: Contract Management: Contract extension/modification approvals	Management would ensure that the all extensions are approved by Council.

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(COA.39)(M)(A)	
I/C - compliance (resolved/ adjusted (irreg)) - SCM: Quotations: No three quotations were obtained and no deviation (COA.51) (M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
SCM focus area: compliance MR only - SCM: PPR: Unable to determine how points were awarded for functionality (COA.59)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
COMPLIANCE - SCM: PPR: Bid not evaluated in accordance with preference point system (COA.61)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
I/C - compliance - SCM: PPR: B-BBEE points not awarded correctly (COA.60)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.
I/C - compliance - SCM: Quotations: Reasons for not obtaining three quotations not approved (COA.58)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well. Management would perform Monthly VAT reconciliations. Management would ensure that VAT is reviewed on a monthly basis.
Compliance - AFS, APR, AR: Revised SDBIP, Annual Report and Oversight adoptions (COA.8)(M)(A)	Management will ensure that oversight committee tabled an oversight report within a prescribed legislation by MPAC. Management will ensure that the revised SDBIP is tabled to the council after adjustments.
Compliance - Planning: Consequence Management: No investigations of irregular expenditure (COA.10)(M)(A)	Due to the backlogs of the entire Unauthorized, Irregular, Fruitless and Wasteful Expenditure, Management would ensure a speedy investigations on other the entire populations by MPAC.
Compliance - Expenditure: Payments not made within 30 days (COA.34)(M)(A)	Management would ensure that all payments must be made within 30 days of invoice date.
Compliance - Expenditure management: Steps not taken to prevent UIF expenditure (CoA.44)(M)(A)	Management would ensure that MPAC is sitting as per schedule to ensure that there is consistent reporting for Unauthorized, Irregular, Fruitless and Wasteful Expenditure.
Compliance - SUM (irreg) SCM Business Process: (local content) Non-compliance with the regulations (COA.5)(M)(A)	Management would ensure that SCM Process is followed to ensure that the local content is covered and applied accordingly as recommended.
Compliance / adjusted (irreg))- SCM: Reason for deviation not in line with SCM regulation	Management would ensure that the irregular expenditure is in line with the SCM Policy and other circulars as issued by NT. Management would ensure the consistency in relation to SCM as approved by the Council.
SCM focus area - compliance SCM: Contract Management - No provision for dispute resolution in the contract (CoA.42)(M)(A)	Management would ensure that SCM Process is followed at all times and such SLA is covered in terms of circulars issued as well.

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*Note: *The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)*

T6.1.1

Auditor-General Report on Financial Performance 2021/2022	
Status of audit report:	
Annual financial statements: Unqualified Predetermined objectives: Unqualified	
Please refer to the report of the Auditor General below for more details	

T6.2.1

COMPONENT B: AUDITOR-GENERAL OPINION 2021-2022 (CURRENT YEAR)

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Xhariep District Municipality set out on pages 114 to 180, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion the financial statements present fairly, in all material respects, the financial position of the Xhariep District Municipality as at 30 June 2022 and its performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

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BASIS FOR THE OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter. Note 34 to the financial statements indicates that the municipality incurred a net loss of R14 459 929 for the year ending 30 June 2022 and, as of that date the municipality's current liabilities exceeded current assets by R18 806 196.
7. These events or conditions, along with other matters as set out in note 34, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

UNAUTHORISED EXPENDITURE

8. As disclosed in note 36 to the financial statements, the municipality incurred unauthorised expenditure of R6 110 077 (2021: R1 861 390) due to overspending of the approved budget.

IRREGULAR EXPENDITURE

9. As disclosed in note 38 to the financial statements, the municipality incurred irregular expenditure of R3 354 493 (2021: R3 979 537) due to non-compliance with supply chain management (SCM) regulations requirements.

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RESTATEMENT OF CORRESPONDING FIGURES

10. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality, and for the year end, 30 June 2022.

MATERIAL IMPAIRMENT

11. As disclosed in note 3 to the financial statements, receivables from exchange transactions were impaired by R5 396 984.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

AUDITOR GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

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

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REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2022:

KPA	Pages in the annual performance report
KPA – basic service delivery and infrastructure development	56-59 & 70-76

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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20. I did not identify material findings on the usefulness and reliability of the performance information for KPA – basic service delivery and infrastructure development

OTHER MATTERS

21. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

22. Refer to the annual performance report on pages 45 to 76 for information on the achievement of planned targets for the year.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA: basic service delivery and infrastructure development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
25. The material findings on compliance with specific matters in key legislation are as follows:

ANNUAL FINANCIAL STATEMENTS

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements.
27. The oversight report adopted by the council on the 2020/21 annual report was not made public, as required by section 129(3) of the MFMA.

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PROCUREMENT AND CONTRACT MANAGEMENT

28. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
29. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(1) (b).
30. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).
31. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.

EXPENDITURE MANAGEMENT

32. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
33. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
34. Reasonable steps were not taken to prevent unauthorised expenditure of R6 110 077, as disclosed in note 36 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by expenditure incurred exceeding the budget.
35. Reasonable steps were not taken to prevent irregular expenditure of R3 354 493, as disclosed in note 38, as required by section 62(1) (d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with procurement prescripts.
36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R183 988, as disclosed in note 37 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties incurred.

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CONSEQUENCE MANGEMENT

37. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

38. The IDP was not drafted in close consultation with the local municipalities in the district, as required by section 29(2)(a) of the Municipal Systems Act 32 of 2000 (MSA).
39. The local community was not afforded the opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).
40. The IDP did not reflect the key performance indicators and targets as required by section 26(i) of the MSA and municipal planning and performance management regulation 2(1)(e).

OTHER INFORMATION

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

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INTERNAL CONTROL DEFICIENCIES

45. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation:
46. The leadership was slow to implement and monitor the audit action plan to address the prior year's findings and internal control deficiencies identified during the previous audits, as well as misstatements that were subsequently corrected by management and repeated non-compliance with relevant laws and regulations. The management implemented a last-minute effort during the audit to resolve the internal control deficiencies and material misstatements to avoid audit report matters.
47. The leadership did not take effective steps to ensure that there were consequences for poor performance and transgressions, as most of the irregular expenditure was not investigated during the financial year.

Auditor General

Bloemfontein

30 November 2022



Chapter 5

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance area and on the municipality's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Xhariep District Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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GLOSSARY

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

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

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

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance				
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance
	FT/PT			%
Cllr AM Shasha	FT	Speaker	ANC	100%
Cllr.NI Mehlomakulu	FT	Executive Mayor	ANC	100%
Cllr NJ Garekoe	FT	Chairperson of Corporate Services Committee	ANC	100%
Cllr AM Molai	FT	Budget and Treasury Office	EFF	90%
Cllr TI Phatsoane	FT	Chairperson of MPAC	ANC	90%
Cllr AJJ Van Rensburg	FT	Planning and Social Development Member	DA	80%
Cllr AM Lebaka	PT	Chairperson of Budget and Treasury Committee	ANC	100%
Cllr MG Mokheseng	PT	Corporate Services Committee member	ANC	90%
Cllr RW Van Wyk	PT	Planning and Social Development Committee member	DA	100%
Cllr MV Malgas	PT	Budget and Treasury Committee member	ANC	80%

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Cllr ME Lekoenea	PT	Corporate Services Committee member	EFF	100%
Cllr AN November	PT	MPAC Member	ANC	100%
Cllr TD Mochechepa	FT	Chairperson of Planning and Social Development Committee	ANC	80%
Cllr Van Wyk	PT	Corporate Services Committee	DA	72
Cllr S Riddle	PT	MPAC Member	DA	81
Cllr NA Adoons	PT	Planning and Social Development Committee member	ANC	50%

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

T A

APPENDICES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

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

APPENDICES

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

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

APPENDICES

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

APPENDICES

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2021-2022

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2020-2021	Recommendations adopted (enter Yes) If not adopted (provide explanation)
27 August 2021	<ul style="list-style-type: none"> - The Audit Committee Members acknowledges receipts of the declarations of interest forms and will be signed. - The Audit Committee took note of the Draft Annual Financial Statements with inputs made and recommended that the inputs should be included on the AFS prior to submission of the AFS to AGSA on the 30th August 2021. - The Audit Committee took note of the Draft Annual Performance Report with inputs made by the internal audit unit and recommended that the inputs should be included on the APR prior to submission of the AFS to AGSA on the 30th August 2021. 	Yes
Audit Committee was not fully functional in the 2021-2022 financial year		T G

APPENDICES

APPENDIX H – LONG TERM CONTRACTS

Long Term Contracts (Largest Contracts Entered into 2021-2022)					
R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Dipabala Consulting Engineers	Implementation of the Rural roads asset management system	September 2020	August 2023	Mr Sandile Majenge	6,680,614.50
LQTechnologies	Internet Service Provision	September 2020	August 2023	Mr Andile Tyhokolo	1,315,887.35
T H.1					

APPENDICES

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Service Provider	Project Name	Contract Amount	Project Status	End User Remarks
CCG Systems	Integrated Financial Management Systems and Internal Controls (mSCOA)	R5,244, 082.00	Current (contract will be coming to an end on 30 November 2022)	Excellent
Test IT Lab	Waste and Drinking Water Analysis	R579,060.00	Contract ended in November 2021	Good
University of the Free State Ground Water Testing	Waste and Drinking Water Analysis	R361,970.00	Current / New	Good
Lobamaba Enterprise (PTY)LTD	Network Infrastructure Revamp	R790,420.00	Current / New	In progress
Lobamaba Enterprise (PTY)LTD	Supply and Maintenance of Telephone Systems	R974,581.00	Current / New	In progress
Mega Works	Supply and Maintenance of Printers	R409,450.00	Contract ended in November 2021	Acceptable
Khumo t/a Pan Solutions	Supply and Maintenance of Telephone Systems	R483,796.96	Contract ended in November 2021	Poor
Fezi Auditors and Consultants JV Opuientia	Insurance Service for the Municipality	R1,571,436.93	Contract ended in February 2022	Excellent

APPENDICES

Financial Service				
Kunene Makopo Risk Solutions (PTY) LTD	Insurance Service for the Municipality	R546,357.61	Current / New	Good

APPENDICES

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2021-2022 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	Cllr NI Mehlomakulu	Nil
Member of MayCo / Exco		
	MA Lebaka	Nil
	NJ Garekoe	Nil
	TD Mochechepa	Shares and Securities in a company Member of a close corporation Other financial interest in business undertaking
	AM Shasha	Sentsoeti Development Centre CC R100 000 Mashasha Construction 50% Sentsoeti Development Centre CC(50% shareholder)
Councillor	NA Adoons	Employed at Department of Education Shareholder: SADTU SACCO(Cooperative Bank)
	M Mokheseng	Nil
	AN November	Nil
	MV Malgas	Nil
	MK Matlakala	Nil
	MA Molai	Nil
	ME Lekoenea	Nil
	AJJ van Rensburg	Shares and securities: BKB R200 000.00 AND CMW, R150 000 Other financial Interest: Rustfontein Farming, R25000000.00, Interest in property: Rustfontein ha ,R 3 600000.00 Old Mutual pension R2 000000.00
	RW Van Wyk	Nil
	TI Phatsoane	Nil
	J. Riddle	Partnership Nicks place(50% shareholder) Dummer Trust (Trustee) Old Mutual Pension (R1000 000) Property(R1.5 Million)

APPENDICES

Municipal Manager	LY Moletsane	GEPF(pension fund) R4001
Chief Financial Officer	PV Litabe	Share Holder: Calaria(PTY)Ltd (50%) Diabo Accountants & Consulting (80%)
Director: Corporate Services(Acting)	NY Augustus	Nil
Director: Planning and Social Development	MS Mohale	Property(R1000000) 6x erfs R420 000)
* Financial intersests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ		

APPENDICES

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						R '000
Description	2020-2021	2021-2022			2021-2022 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Agency services						
Transfers recognized - operational	61 352	61,832	61,536	53 947	7 885	7 589
Other revenue	81	60	88	91	(31)	(3)
Total Revenue (excluding capital transfers and contributions)						
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.						T K.2

APPENDICES

APPENDIX T – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	N/A	
Output: Implementation of the Community Work Programme		
Output: Deepen democracy through a refined Ward Committee model	N/A	
Output: Administrative and financial capability	N/A	
<i>* Note: Some of the outputs detailed on this table might have been reported for in other chapters, the information thereof should correspond with previously reported information.</i>		

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VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS



**Xhariep District Municipality
(Registration number DC16)
Annual Financial Statements
for the year ended 30 June 2022**

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Nature of business and principal activities	<p>Xhariep District Municipality is a district municipality performing the function as set out in the constitution(Act no 105 of 1996).</p> <p>Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.</p>
Mayoral committee	
Executive Mayor	Cllr IN Mehlomakulu
Speaker	Cllr AM Shasha
MMC: Corporate Services	Cllr NJ Garekoe
MMC: Planning and Social Development	Cllr TD Mochechepa
MMC: Finance	Cllr MA Lebaka
Councillors	Cllr RW Van Wyk
	Cllr AJ Janse Van Rensburg
	Cllr IS Riddle
	Cllr MV Malgas
	Cllrs TI Phatsoane
	Cllr NA Adoons
	Cllr M Lekoenea
	Cllr MG Mokheseng
	Cllr MA Molai
	Cllr MM Potgieter
	Cllr AN November
Grading of local authority	3
Municipal Manager	LY Moletsane
Chief Finance Officer (CFO)	PV Litabe
Registered office	20 Louw Street Trompsburg 9913
Business address	20 Louw Street Trompsburg 9913
Postal address	P.O Box 136 Trompsburg 9913
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Index

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

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Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Program
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
RRAMS	Rural Roads Asset Management Systems
MMC	Members of Mayoral Committee
VAT	Value Added Tax

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on 30 November 2022 and were signed on its behalf by:

PV Litabe
Acting Municipal Manager

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

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

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

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated deficit of (10 896 334) and that the municipality's total liabilities exceed its assets by (10 896 334).

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

3. Subsequent events

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

4. Accounting policies

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

5.

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

Name	Nationality
LY Moletsane	South Africa

6. Bankers

The operating account of the municipality remained held with ABSA.

7. Auditors

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

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on 30 November 2022 and were signed on its behalf by:


PV Litabe
Acting Municipal Manager

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	5	-	22 438
VAT receivable	4	2 682 789	3 247 447
Trade and Other receivables	3	3 435 218	4 443 845
Cash and cash equivalents	2	226 059	7 329 517
		6 344 066	15 043 247
Non-Current Assets			
Property, plant and equipment	6	9 978 476	10 399 189
Intangible assets	7	408 195	816 390
		10 386 671	11 215 579
Total Assets		16 730 737	26 258 826
Liabilities			
Current Liabilities			
Finance lease obligation	8	-	104 910
Payables from exchange transactions	9	22 872 175	19 933 400
Payables from non-exchange transactions	10	835 186	-
Employee benefit obligation	11	218 226	371 984
Unspent conditional grants and receipts	12	1 224 675	-
		25 150 262	20 410 294
Non-Current Liabilities			
Employee benefit obligation	11	2 476 809	2 284 939
Total Liabilities		27 627 071	22 695 233
Net Assets		(10 896 334)	3 563 593
Accumulated surplus/(deficit)		(10 896 334)	3 563 593
Total Net Assets		(10 896 334)	3 563 593

* See Note 42

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
REVENUE			
Revenue from exchange transactions			
Rental of facilities	14	578 571	564 816
Interest received (debtors)	15	650 750	304 986
Recoveries Income	16	839 920	90 536
Other income	18	91 302	81 410
Interest received (bank/ investments)	19	492 502	651 803
Gain on disposal of assets and liabilities	17	60 000	-
Actuarial gains	11	291 760	-
Total revenue from exchange transactions		3 004 805	1 693 551
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	50 957 326	61 145 000
Financial Assistance in kind	21	1 639 347	-
LG SETA Income		31 591	57 976
Total revenue from non-exchange transactions		52 628 264	61 202 976
Total revenue	13	55 633 069	62 896 527
EXPENDITURE			
Employee related costs	22	(45 119 524)	(46 711 005)
Remuneration of councillors	23	(4 302 942)	(4 746 372)
Depreciation and amortisation	24	(1 831 170)	(1 959 745)
Impairment of assets	25	(9 465)	-
Finance costs	26	(347 319)	(257 781)
Debt Impairment	28	(5 406 407)	(564 179)
Contracted services	30	(1 939 037)	(3 563 772)
Actuarial losses	11	-	(246 681)
General Expenses	29	(11 137 134)	(11 317 619)
Total expenditure		(70 092 998)	(69 367 154)
Deficit for the year		(14 459 929)	(6 470 627)

* See Note 42

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	9 149 653	9 149 653
Adjustments		
Prior year adjustments 42	884 567	884 567
Balance at 01 July 2020 as restated*	10 034 220	10 034 220
Changes in net assets		
Deficit for the year	(6 470 627)	(6 470 627)
Total changes	(6 470 627)	(6 470 627)
Opening balance as previously reported	2 939 880	2 939 880
Adjustments		
Prior year adjustments 42	623 715	623 715
Restated* Balance at 01 July 2021 as restated*	3 563 595	3 563 595
Changes in net assets		
Deficit for the year	(14 459 929)	(14 459 929)
Total changes	(14 459 929)	(14 459 929)
Balance at 30 June 2022	(10 896 334)	(10 896 334)
Note(s)		

* See Note 42

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		181 144	20 042
Grants and subsidies		52 182 000	61 145 000
Interest income		492 502	651 803
LG SETA receipts		31 591	57 976
		<u>52 887 237</u>	<u>61 874 821</u>
Payments			
Employee costs		(49 439 043)	(51 974 944)
Suppliers		(9 388 703)	(12 235 647)
Finance costs		(106 316)	(141 017)
		<u>(58 934 062)</u>	<u>(64 351 608)</u>
Net cash flows from operating activities	31	(6 046 825)	(2 476 787)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1 011 724)	(407 916)
Purchase of other intangible assets	7	-	(203 478)
Net cash flows from investing activities		(1 011 724)	(611 394)
Cash flows from financing activities			
Finance lease payments		(44 909)	(258 913)
Net increase/(decrease) in cash and cash equivalents		(7 103 458)	(3 347 094)
Cash and cash equivalents at the beginning of the year		7 329 517	10 676 611
Cash and cash equivalents at the end of the year	2	226 059	7 329 517

* See Note 42

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rental of facilities and equipment	939 183	(290 000)	649 183	578 571	(70 612)	1
Interest received (trading)	-	391 915	391 915	650 750	258 835	2
Recoveries	-	-	-	839 920	839 920	3
Other income	80 000	7 500	87 500	91 302	3 802	4
Interest received - investment	620 000	-	620 000	492 502	(127 498)	5
Gains on disposal of assets	-	-	-	60 000	60 000	
Actuarial gains/losses	-	-	-	291 760	291 760	15
Total revenue from exchange transactions	1 639 183	109 415	1 748 598	3 004 805	1 256 207	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	61 734 000	(296 000)	61 438 000	50 957 326	(10 480 674)	6
Financial Assistance	-	-	-	1 639 347	1 639 347	
LG SETA Income	98 000	-	98 000	31 591	(66 409)	7
Total revenue from non-exchange transactions	61 832 000	(296 000)	61 536 000	52 628 264	(8 907 736)	
Total revenue	63 471 183	(186 585)	63 284 598	55 633 069	(7 651 529)	

Expenditure

Employee Related Costs	(47 496 520)	1 955 923	(45 540 597)	(45 119 524)	421 073	8
Remuneration of councillors	(4 956 415)	402 592	(4 553 823)	(4 302 942)	250 881	9
Depreciation and amortisation	(1 000 000)	-	(1 000 000)	(1 831 170)	(831 170)	10
Impairment of assets	-	-	-	(9 465)	(9 465)	
Finance costs	(80 000)	45 000	(35 000)	(347 319)	(312 319)	11
Debt Impairment	(491 000)	(391 915)	(882 915)	(5 406 407)	(4 523 492)	12
Contracted Services	(3 816 000)	(16 250)	(3 832 250)	(1 939 037)	1 893 213	13
General Expenses	(5 145 250)	(1 324 683)	(6 469 933)	(11 137 134)	(4 667 201)	14
Total expenditure	(62 985 185)	670 667	(62 314 518)	(70 092 998)	(7 778 480)	
Deficit before taxation	485 998	484 082	970 080	(14 459 929)	(15 430 009)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	485 998	484 082	970 080	(14 459 929)	(15 430 009)	

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	38 986	30 000	68 986	-	(68 986)	16
VAT receivable	2 925 045	-	2 925 045	2 682 789	(242 256)	17
Receivable from exchange transactions	1 624 405	-	1 624 405	3 435 218	1 810 813	18
Cash and cash equivalents	10 796 248	-	10 796 248	226 059	(10 570 189)	19
	15 384 684	30 000	15 414 684	6 344 066	(9 070 618)	

Non-Current Assets

Property, plant and equipment	10 338 311	484 000	10 822 311	9 978 476	(843 835)	20
Intangible assets	1 021 107	-	1 021 107	408 195	(612 912)	21
	11 359 418	484 000	11 843 418	10 386 671	(1 456 747)	

Total Assets

	26 744 102	514 000	27 258 102	16 730 737	(10 527 365)	
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Liabilities

Current Liabilities

Payables from exchange transactions	14 813 696	(76 235 881)	(61 422 185)	22 872 173	84 294 358	22
Taxes and transfers payable (non-exchange)	-	-	-	835 186	835 186	
Employee benefit obligation	157 111	(157 111)	-	218 226	218 226	24
Unspent conditional grants and receipts	-	-	-	1 224 675	1 224 675	
	14 970 807	(76 392 992)	(61 422 185)	25 150 260	86 572 445	

Non-Current Liabilities

Employee benefit obligation	1 919 418	(1 919 418)	-	2 476 809	2 476 809	24
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Total Liabilities

	16 890 225	(78 312 410)	(61 422 185)	27 627 069	89 049 254	
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Net Assets

	9 853 877	78 826 410	88 680 287	(10 896 332)	(99 576 619)	
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Net Assets

Reserves

Accumulated surplus/(deficit)	8 300 371	8 298 455	16 598 826	(10 896 332)	(27 495 158)	25
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Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	61 832 000	-	61 832 000	52 182 000	(9 650 000)	26
Other receipts	1 639 183	-	1 639 183	705 237	(933 946)	27
	63 471 183	-	63 471 183	52 887 237	(10 583 946)	

Payments

Employee costs	(52 034 810)	-	(52 034 810)	(49 439 043)	2 595 767	28
Suppliers	(9 307 375)	-	(9 307 375)	(9 388 701)	(81 326)	29
Finance costs	(80 000)	-	(80 000)	(106 316)	(26 316)	30
	(61 422 185)	-	(61 422 185)	(58 934 060)	2 488 125	

Net cash flows from operating activities	2 048 998	-	2 048 998	(6 046 823)	(8 095 821)	
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Cash flows from investing activities

Purchase of property, plant and equipment	-	-	-	(1 011 724)	(1 011 724)	31
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Cash flows from financing activities

Finance lease payments	-	-	-	(44 911)	(44 911)	
------------------------	---	---	---	----------	----------	--

Net increase/(decrease) in cash and cash equivalents	2 048 998	-	2 048 998	(7 103 458)	(9 152 456)	
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Cash and cash equivalents at the beginning of the year	-	-	-	7 329 517	7 329 517	
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Cash and cash equivalents at the end of the year	2 048 998	-	2 048 998	226 059	(1 822 939)	
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The accounting policies on pages 12 to 32 and the notes on pages 33 to 67 form an integral part of the annual financial statements.

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Effective interest rate

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

Useful lives and residual values

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

Long Service Award

The present value of the long service bonus obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future inflation, salary inflation, net discount rate and assumed retirement age.

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

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

Leave and Bonus Accrual

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

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

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

1.6 Intangible assets

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

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

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

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

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

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

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

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

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

Fair value measurement considerations

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

Gains and losses

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

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

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

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

Impairment of financial assets

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

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

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

Impairment losses are recognised as surplus or deficit.

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Financial instruments (continued)

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

Receivable from exchange transactions

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

Payable from exchange transactions

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Investments

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

Held to maturity

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

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

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

Financial liabilities

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

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Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

1.8 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

Income for leases is disclosed under revenue in statement of financial performance. Income for leases is disclosed under revenue in statement of financial performance. Operating lease payment are recognised as an expenses on a straight-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payment are recognised as either a prepaid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

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

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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1.10 Cash and cash equivalents (continued)

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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Accounting Policies

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

Redesignation

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

1.12 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

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

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

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

Actuarial gains or losses within the corridor are not recognised.

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficit.

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

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Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

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

Government grants

Government grants are recognised as revenue when:

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

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

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

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

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

Other grants and donations

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Other grants and donations are recognised as revenue when:

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

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

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

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Accounting Policies

1.22 Irregular expenditure (continued)

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

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

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

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

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

1.23 Segment information

A segment is an activity of an entity:

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

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

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

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Accounting Policies

1.25 Related parties

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

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

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

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

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

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

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

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

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

1.26 Events after reporting date

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

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

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

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

1.27 Use of Estimates

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

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	44	84
Bank balances	116 689	1 105 957
Short-term deposits	109 326	6 223 476
	226 059	7 329 517

Cash and cash equivalents pledged as collateral

None of the cash has been pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA - Cheque Account - 4053628182	116 689	1 105 956	938 095	116 689	1 105 956	938 095
ABSA - Call Account - 9309672913	6 352	1 444 058	2 133 090	6 352	1 444 058	2 133 090
ABSA - Invest Tracker - 9358190966	3 427	4 683 367	7 512 160	3 427	4 683 367	7 512 160
Nedbank - Call Deposit - 03/7662022528/000016	99 548	96 051	92 903	99 548	96 051	92 903
Total	226 016	7 329 432	10 676 248	226 016	7 329 432	10 676 248

3. Receivable from exchange transactions

Gross balances

Trade Debtors	8 539 376	6 985 357
Prepaid expenses	2 088 151	59 316
Other debtors	863 081	48 155
	11 490 608	7 092 828

Less: Allowance for impairment

Trade Debtors	(7 215 470)	(2 648 983)
Other debtors	(839 920)	-
	(8 055 390)	(2 648 983)

Net balance

Trade Debtors	1 323 906	4 336 374
Prepaid expenses	2 088 151	59 316
Other debtors	23 161	48 155
	3 435 218	4 443 845

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Figures in Rand	2022	2021
3. Receivable from exchange transactions (continued)		
Trade Debtors Ageing		
Current (0 -30 days)	806 791	399 968
31 - 60 days	76 686	67 639
61 - 90 days	33 521	-
91 - 120 days	40 947	68 308
121 - 365 days	144 101	562 447
> 365 days	7 437 330	5 886 995
	8 539 376	6 985 357
Summary of debtors by customer classification		
Other Trade Debtors		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	300
121 - 365 days	-	-
> 365 days	240 000	240 000
	240 000	240 300
Less: Allowance for impairment	(240 000)	(40 137)
	-	200 163
National and Provincial government		
Current (0 -30 days)	806 791	399 968
31 - 60 days	76 686	67 639
61 - 90 days	33 521	-
91 - 120 days	40 947	68 008
121 - 365 days	144 101	562 447
> 365 days	7 197 329	5 646 995
	8 299 375	6 745 056
Less: Allowance for impairment	(6 975 469)	(2 608 846)
	1 323 906	4 136 210
Total		
Current (0 -30 days)	806 791	399 968
31 - 60 days	76 686	67 639
61 - 90 days	33 521	-
91 - 120 days	40 947	68 308
121 - 365 days	144 101	562 447
> 365 days	7 437 330	5 886 995
	8 539 376	6 985 357
Less: Allowance for impairment	(7 215 470)	(2 648 983)
	1 323 906	4 336 374
Total debtor past due but not impaired		
Current (0 -30 days)	13 154	16 248
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	300
121 - 365 days	-	-
> 365 days	78 190	78 190
	91 344	94 738

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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3. Receivable from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(2 658 406)	(2 084 804)
Contributions to allowance	(5 396 984)	(564 179)
	(8 055 390)	(2 648 983)

Trade debtors pledged as security

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

4. VAT receivable

VAT	2 682 789	3 247 447
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VAT is a Statutory Receivable

5. Inventories

Stationery & Consumable	-	1 193
Cleaning Materials	-	21 245
	-	22 438

Inventory pledged as security

None of the inventory has been pledged as security.

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Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Buildings	16 788 895	(9 256 129)	7 532 766	16 788 895
Plant and machinery	2 732 528	(2 688 809)	43 719	2 732 528
Furniture and Office Equipment	5 106 637	(4 703 700)	402 937	6 230 057
Motor vehicles	2 129 662	(1 089 634)	1 040 028	2 033 729
IT equipment	2 786 958	(1 827 932)	959 026	2 754 861
Total	29 544 680	(19 566 204)	9 978 476	30 540 070
				(20 140 881)
				10 399 189

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	8 091 496	-	(558 730)	-	7 532 766
Plant and machinery	174 193	-	(130 474)	-	43 719
Furniture and Office Equipment	678 394	9 413	(279 462)	(5 408)	402 937
Motor vehicles	670 319	613 366	(243 657)	-	1 040 028
IT equipment	784 787	388 945	(210 650)	(4 056)	959 026
	10 399 189	1 011 724	(1 422 973)	(9 464)	9 978 476

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Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Buildings	8 637 693	13 000	(559 197)	8 091 496
Plant and machinery	426 128	-	(251 935)	174 193
Furniture and Office Equipment	902 226	9 700	(233 532)	678 394
Motor vehicles	940 053	-	(269 734)	670 319
IT equipment	636 722	385 216	(237 151)	784 787
	11 542 822	407 916	(1 551 549)	10 399 189

15.2 Pledged as security

There are no assets pledged as security:

Assets subject to finance lease (Net carrying amount)

Telephone and Printing Machinery	-	128 564
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Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	348 184	378 750
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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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6. Property, plant and equipment (continued)

Change in estimate

Aggregate of items valued using deemed cost	58 972	58 972
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Various movable assets and infrastructure assets with original remaining useful lives varying between 1-30 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these assets

The effect on the current and future periods will be a decrease in the depreciation charge of R 58 972.00 in the current period and an equal increase in the depreciation charge of R 58 972.00 over the next periods as per the above table.

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

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Notes to the Annual Financial Statements

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7. Intangible assets

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	2 437 062	(2 028 867)	408 195	2 437 062	(1 620 672)	816 390

Reconciliation of intangible assets - 2022

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Computer Software

	Opening balance	Amortisation	Total
	816 390	(408 195)	408 195

Reconciliation of intangible assets - 2021

Computer software

	Opening balance	Additions	Amortisation	Total
	1 021 107	203 478	(408 195)	816 390

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Finance lease obligation		
Minimum lease payments due		
- within one year	-	107 878
- later than five years	-	-
	-	107 878
less: future finance charges	-	(2 968)
Present value of minimum lease payments	-	104 910
Present value of minimum lease payments due		
- within one year	-	104 910
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	104 910

The lease term expired during the year.

It is municipality policy to lease certain equipment under finance leases. During the financial year the municipality had two finance lease agreement, namely the printers finance lease and telephone finance lease, with an average lease term of 3 years.

The average lease term was 3 years and the average effective borrowing rate was 11.25%

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

9. Payables from exchange transactions

Trade payables	10 565 556	8 746 076
COIDA	3 314 834	2 772 888
Auditor General South Africa	1 302 159	1 428 515
Sundry Creditors	259 121	852 601
Bonus Accrual	1 090 628	1 058 809
Leave pay Accrual	4 492 153	4 982 076
Third party payables	1 847 724	92 435
	22 872 175	19 933 400

10. Taxes and transfers payable (non-exchange)

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

Mangaung Metro Motheo grant of R 711 416

COGTA - Provincial Infrastructure Grant (PIG) of R87 689.80

Thetha Grant of R 36 080

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Figures in Rand	2022	2021
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11. Employee benefit obligations

Defined benefit plan

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

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

The long service awards plan is a defined benefit plan. At period end 61 employees were eligible for the long service bonuses.

The Long Service Award valuation was conducted as at 30 June 2022.

The current service cost for the year is estimated to be R 293 539 (30 June 2021: R 242 128) whereas the interest cost for the ensuring year is estimated to be R 238 033 (30 June 2021: R 187 328).

Reconciliation of unfunded obligation

Carrying value

Opening Balance	2 656 923	2 076 529
Service cost	293 539	242 128
Payments	(201 700)	(95 743)
Interest cost	238 033	187 328
Actuarial gain/ loss	(291 760)	246 681
	2 695 035	2 656 923
Non-current liabilities	(2 476 809)	(2 284 939)
Current liabilities	(218 226)	(371 984)
	(2 695 035)	(2 656 923)

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

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

Net expense recognised in the statement of financial performance

Current service cost	293 539	242 128
Interest cost	238 033	187 328
Actuarial (gains) losses	(291 760)	246 681
Payment	(201 700)	(95 743)
	38 112	580 394

Key assumptions used

Assumptions used at the reporting date:

Discount rate	12,07 %	8,81 %
Future inflation	7,63 %	5,57 %
Salary inflation	8,63 %	6,57 %
Net discount rate	3,17 %	2,11 %

Discount rate assumption

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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11. Employee benefit obligations (continued)

The discount rate reflects the estimated timing of benefit payments.

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The cashflow weighted duration of the liabilities is approximately 15.0 years. The given duration used in the previous valuation was 7.0 years. We have therefore used the nominal yield curve for zero-coupon SA Government bonds with an average duration between 10 to 15 years as at 30 June 2022. The resultant discount rate was 12.07%. The source is the Johannesburg Stock Exchange through IRESS data services.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an average of 10 to 15 year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 7.63% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service].

Future salary inflation assumption

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

We assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 8.63% per annum.

Net discount rate

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

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

Demographic valuation assumptions

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

Pre-retirement mortality

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

Withdrawal rates

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

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation (Discount rate)	2 343 349	3 144 502
Effect on defined benefit obligation (Salary inflation)	3 128 834	2 341 828

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

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Employee benefit obligations (continued)		
	2022	2021
Defined benefit obligation	2 695 035	2 656 923
	2020	2019
	2 076 529	2 032 277
	2018	1 676 512
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants		
Rural Roads Asset Management Systems	1 224 675	-
Financial Management Grant (FMG)	-	-
Expanded Public Works Programme (EPWP)	-	-
	1 224 675	-
Movement during the year		
Balance at the beginning of the year	-	87 689
Additions during the year	4 990 000	4 706 000
Income recognition during the year	(3 765 325)	(4 793 689)
	1 224 675	-

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

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

See note 20 for reconciliation of grants from National/Provincial Government.

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

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
13. Revenue		
Rental of facilities and equipment	578 571	564 816
Interest received	650 750	304 986
Actuarial gains/ (losses)	291 760	-
Recoveries	839 920	90 536
Other income	91 302	81 410
Gain or loss on disposal of assets and liabilities	60 000	-
Interest received - investment	492 502	651 803
Government grants & subsidies	50 957 326	61 145 000
Financial Assistance	1 639 347	-
LGSETA	31 591	57 976
	55 633 069	62 896 527

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

Rental of facilities and equipment	578 571	564 816
Interest received	650 750	304 986
Recoveries	839 920	90 536
Actuarial gains/ (losses)	291 760	-
Gain or loss on disposal of assets and liabilities	60 000	-
Other income	91 302	81 410
Interest received	492 502	651 803
	3 004 805	1 693 551

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

Taxation revenue

Transfer revenue

Government grants & subsidies	50 957 326	61 145 000
Financial Assistance	1 639 347	-
LGSETA Income	31 591	57 976
	52 628 264	61 202 976

14. Rental of facilities and equipment

Premises

Rental income	578 571	564 816
	578 571	564 816

The amounts emanates from the rental of a section of the building to Kopanong Local Municipality R427 266 (2021: R427 266) and the Free State Gambling Board R151 305 (2021: R137 550)

15. Interest received (debtors)

Interest received receivables	650 750	304 986
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The interest on debtors is mainly from Kopanong Local Municipality debt. The local municipality has not been paying for rental and their portion for service charges for the past years.

16. Recoveries Income

Creditors recovered/ written off	839 920	90 536
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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Gains or losses on disposal of assets		
Gains on disposal of property, plant and equipment	60 000	-
18. Other income		
Bylaw certificates Income	27 861	17 730
Parking fee income	61 463	62 289
Tender documents	1 978	1 391
	91 302	81 410
19. Investment revenue		
Interest revenue		
Bank	1 647	-
Interest received (Investments)	490 855	651 803
	492 502	651 803

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
20. Government grants & subsidies		
Operating grants		
Equitable share	47 192 000	47 183 000
Provincial Financial Assistance Grant	-	9 256 000
Expanded Public Works Programme	1 144 000	1 039 000
Rural Roads Asset Management Systems	971 326	2 167 000
Financial Management Grant	1 650 000	1 500 000
	50 957 326	61 145 000

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4 990 000	4 855 000
Unconditional grants received	47 192 000	56 439 000
	52 182 000	61 294 000

Equitable Share

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

Financial Management Grant

Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 650 000)	(1 500 000)
	-	-

Conditions have been met - no liabilities recognised (see note 12).

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

Expanded Public Works Programme

Current-year receipts	(1 144 000)	1 039 000
Conditions met - transferred to revenue	1 144 000	(1 039 000)
	-	-

Conditions have been met - no liabilities recognised (see note 12).

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

Rural Road Asset Management

Current-year receipts	2 196 000	2 167 000
Conditions met - transferred to revenue	(971 326)	(2 167 000)
	1 224 674	-

Partial conditions have been met - liabilities recognised (see note 12).

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

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

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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20. Government grants & subsidies (continued)

Provincial Financial Assistance Grant

Current-year receipts	-	9 256 000
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The grant is not a conditional grant and the funds are to assist the municipality with operational expenditure.

Disaster Management - (COVID Related Grant)

Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	-	-
	-	-

Conditions have been met - no liabilities recognised (see note 12).

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

21. Financial Assistance in kind

Financial Assistance	1 639 347	-
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The Financial Assistance relates to the direct payment of audit fees to the Auditor General by Provincial Government on behalf of Xhariep District Municipality.

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Employee related costs		
Basic	30 729 582	31 360 050
Bonus	1 907 458	1 887 721
Medical aid - company contributions	2 269 556	2 116 377
UIF	166 226	147 084
SDL	375 170	379 611
SALGBC	9 546	9 266
Leave pay	79 531	1 730 395
Long-service awards	330 636	242 128
Acting allowances	515 248	146 847
Car allowance	3 557 737	3 595 901
Housing benefits and allowances	379 131	359 046
Cellular and Telephone	286 656	270 311
Pension	4 513 047	4 466 268
	45 119 524	46 711 005

Remuneration of Municipal Manager (Ms. Moletsane LY)

Annual Remuneration	1 270 198	1 271 942
Car Allowance	180 000	180 000
Bonus - (Remuneration restructured)	105 995	100 906
Contributions to UIF, Medical and Pension Funds	73 787	71 509
Data allowance	96 000	96 000
Other	3 850	-
	1 729 830	1 720 357

Contracted ended 27 July 2022.

Remuneration of Chief Finance Officer (Mr. Litabe PV)

Annual Remuneration	1 028 141	1 031 100
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	253 494	250 010
Telephone and Data allowance	13 800	9 600
Acting allowance	14 291	-
	1 429 726	1 410 710

Remuneration of Executive Director: Corporate (Adv. Majenge ZQ)

Annual Remuneration	-	1 084 461
Car Allowance	-	108 000
Contributions to UIF, Medical and Pension Funds	-	210 692
Telephone allowance	-	9 600
Leave termination payout	-	256 220
	-	1 668 973

Director Corporate Services contract ended 30 June 2021.

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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22. Employee related costs (continued)

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

Annual Remuneration	1 146 834	1 148 399
Car Allowance	110 911	110 911
Performance Bonuses - (Remuneration restructured)	95 676	91 528
Contributions to UIF, Medical and Pension Funds	60 408	58 310
Data allowance	3 850	-
	1 417 679	1 409 148

Contract ended 27 July 2022.

Remuneration of Acting Executive Director: Corporate (Mrs. Augustus NY)

Acting Allowance	211 970	-
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The acting allowance which relates to the Executive Director position is disclosed and not the employees remuneration per their original position.

Period of Acting: 01 September 2021 to 28 February 2022.

23. Remuneration of councillors

Executive Mayor	898 423	914 318
Speaker	724 813	740 426
Mayoral Committee Members	1 379 268	1 506 334
Councillors	1 300 438	1 585 295
	4 302 942	4 746 373

24. Depreciation and amortisation

Property, plant and equipment	1 422 975	1 551 550
Intangible assets	408 195	408 195
	1 831 170	1 959 745

25. Impairment of assets

Impairments

Property, plant and equipment	9 465	-
The impairment loss mainly relates to the old, broken, damaged and not in use assets which no further economic benefits is expected in the future.. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]		

The main classes of assets affected by impairment losses are:

Computer Equipment - R 4 055

Furniture and Equipment - R 5 408

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

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

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Figures in Rand	2022	2021
26. Finance costs		
Interest charges	345 690	256 814
Bank	1 629	967
	347 319	257 781
27. Auditors' remuneration		
Fees	3 174 919	2 779 768
28. Debt impairment and bad debts written off		
Debt impairment	5 406 407	564 179
29. General expenses		
Advertising	223 500	-
Auditors remuneration	3 174 919	2 779 768
Bank charges	42 864	40 562
Consulting and professional fees	933 759	1 101 004
Consumables	22 438	49 033
Entertainment	98 412	43 749
Fines and penalties	57 740	46 742
Insurance	-	700 194
Conferences and seminars	31 493	5 042
Motor vehicle expenses	5 072	3 203
Fuel and oil	417 442	239 061
Postage and courier	35	2 067
Printing and stationery	375 415	101 954
Protective clothing and uniform	105 248	20 840
Repairs and maintenance	348 184	378 750
Software expenses - licenses	667 197	618 283
Subscriptions and membership fees	9 248	99 057
Telephone, data and fax	312 139	560 995
Training and staff bursaries	217 144	52 000
Travel - local	968 073	502 093
Utilities	911 303	895 754
Accommodation	527 586	83 862
Disaster Management and Health and Hygiene	90 991	256 332
Settlement costs	372 237	1 022 032
Skills Development Training	-	468 984
SALGA	550 971	593 869
COIDA	541 946	447 808
Other expenses	131 778	204 581
	11 137 134	11 317 619
30. Contracted services		
Specialist Services - RRAMS, IT Services	1 114 870	2 403 439
Other Contractors - Mscoa, Water Testing	824 167	1 160 333
	1 939 037	3 563 772

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Figures in Rand	2022	2021
31. Cash used in operations		
Deficit	(14 459 929)	(6 470 627)
Adjustments for:		
Depreciation and amortisation	1 831 170	1 959 745
Profit on sale of assets and liabilities	(60 000)	-
Finance costs	-	26 224
Impairment loss	9 465	-
Debt impairment & bad debts write off	5 406 407	564 179
Movements in retirement benefit assets and liabilities	38 112	580 394
Changes in working capital:		
Inventories	22 438	16 548
Receivables	(4 397 780)	(1 081 581)
Payables from exchange transactions	2 938 773	2 454 240
VAT	564 658	(438 220)
Taxes and transfers payable (non-exchange)	835 186	-
Unspent conditional grants and receipts	1 224 675	(87 689)
	(6 046 825)	(2 476 787)

32. Contingencies

Contingent liabilities

30 June 2022

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

30 June 2021

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

Contingent assets

30 June 2022

30 June 2021

Xhariep District Municipality/ Khumo Document Solutions (Pan Solutions) relates to the recovery of monies owed to Xhariep District Municipality. The case arises from the default judgement made against the Xhariep District Municipality for monies owed by Khumo Document to Nashua which the municipality was instructed by the court to pay. The municipality leases the printers from Khumo Document Solutions to which the municipality paid Khumo for the services. However Khumo Document Solutions was not paying Nashua as per their contract. The municipality has a contract with Khumo Document Solutions and not with Nashua hence the process to recover the monies paid to Nashua. The amount is not quantifiable at the moment at the reporting date 30 June 2021.

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33. Related parties

Relationships

Accounting Officer

Compensation to key management

Compensation to Councillors

Refer to accounting officers' report note

Refer to employee related cost note 15

Refer to note 16, General information and below

Remuneration of Council

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33. Related parties (continued)

Management class: Councillors

2022

Name	Basic salary	Medical	Pension	Travel allowance	Telephone allowance	Other benefits received	Total
Executive Mayor	722 712	118 567	-	-	48 250	8 895	898 423
Speaker	669 031	-	-	-	48 600	7 182	724 813
Mayoral committee members	1 277 674	-	-	24 000	63 970	13 624	1 379 268
Other Councillors	1 026 591	-	41 005	-	220 597	12 244	1 300 438
	3 696 008	118 567	41 005	24 000	381 417	41 945	4 302 942

2021

Name	Basic salary	Medical aid	Pension	Travel allowance	Telephone allowance	Other benefits received	Total
Executive Mayor	744 879	115 980	-	-	44 400	9 059	914 318
Speaker	688 688	-	-	-	44 400	7 338	740 426
Mayoral Committee Members	1 354 755	-	-	72 000	64 800	14 778	1 506 333
Other Councillors	1 199 873	-	71 068	-	300 000	14 353	1 585 295
	3 988 195	115 980	71 068	72 000	453 600	45 528	4 746 372

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34. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated deficit of (10 896 334) and that the municipality's total liabilities exceed its assets by (10 896 334).

The municipality notes that the current liabilities as at 30 June 2022 R 25 150 262 exceeds the current assets R 6 344 066 by R 18 806 196. This is mainly due to cashflow problems which ends up with creditors not being paid when due. The municipality mainly relies on funding from the Government grants and a decrease on Provincial Assisatnce Grant has been noted which has significantly impacted the municipality's financial standing. The municipality has put in place measures to ensure that the municipality is able to pay its short term debts on time.

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

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

The municipality had a loss for the period ending 30 June 2022 amounting to R (14 459 929)10 294 199 and as compared to the previous financial year loss of R (6 470 627) (2020/21).

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

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

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

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

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

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

Based on the above assessment, the municipality incurred a consecutive net loss of R (14 459 929) during the year ended 30 June 2022 and, as of that date, the municipality's current liabilities exceeded its current assets by R 18 806 196. The municipality is unable to pay its creditors' accounts when they fall due, as it takes the municipality more than 200 days to settle creditors. The total liabilities exceeded its total assets by R (10 896 334) which means the municipality is insolvent. These events or conditions, along with other matters as set forth above, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

35. Events after the reporting date

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

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36. Unauthorised expenditure

Opening balance as previously reported	24 741 453	30 886 732
Add: Unauthorised expenditure - current	6 110 077	1 861 390
Add: Unauthorised expenditure - prior period	-	(8 006 669)
Closing balance	30 851 530	24 741 453

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

Non-cash	1 767 379	928 187
Cash	4 342 698	933 203
	6 110 077	1 861 390

Analysed as follows: non-cash

Depreciation and amortisation	1 640 404	928 187
Provision of impairment	126 975	-
	1 767 379	928 187

Analysed as follows: cash

General expenditure	4 017 009	933 203
Finance costs	325 689	-
	4 342 698	933 203

37. Fruitless and wasteful expenditure

Opening balance as previously reported	1 935 773	3 047 290
Add: Fruitless and wasteful expenditure identified - current	183 988	66 057
Add: Fruitless and wasteful expenditure identified - prior period	-	8 756
Less: Amount recovered/ reversed - prior period	-	(90 536)
Less: Amount written off - prior period	-	(1 095 794)
Closing balance	2 119 761	1 935 773

Fruitless and wasteful expenditure is presented inclusive of VAT

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37. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
Interest and penalties for late payments of suppliers	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	183 988 74 813

38. Irregular expenditure

Opening balance
Add: Irregular expenditure - current
Add: Irregular expenditure - Vat adjustment prior year
Closing balance

48 113 674	44 134 137
3 354 493	3 697 063
-	282 474
51 468 167	48 113 674

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38. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	1 825 537 2 073 813
Insufficient quotations obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	214 485 184 360
Overpayment of Section 56/57 Managers (Salaries above the municipality regulated threshold)	The expenditure was identified in the prior years and is being assessed on how to regularise the expenditure as it is ongoing	1 314 471 1 715 953
		3 354 493 3 974 126

172

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

Appointment of supplier for Rural Roads Asset Management System	- 1 909 494
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The expenditure incurred in the current year relating to the tender will be assessed to determine if there was any non compliance with laws and regulation

Note

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

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39. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy, of which amounted to R 366 288 - 30 June 2022 (30 June 2021: R 847 187).

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

Reasons for deviation

Emergency	-	183 393
Sole supplier (5 incidents)	101 352	155 470
Impractical or impossible (23 incidents)	264 936	508 323
	366 288	847 186

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Figures in Rand	2022	2021
40. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	3 435 218	3 435 218
Cash and cash equivalents	226 059	226 059
	3 661 277	3 661 277
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	22 872 175	22 872 175
Finance lease liability	-	-
	22 872 175	22 872 175
2021		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	4 443 845	4 443 845
Cash and cash equivalents	7 329 517	7 329 517
	11 773 362	11 773 362
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	19 933 400	19 933 400
Finance lease liability	104 910	104 910
	20 038 310	20 038 310
Financial instruments in Statement of financial performance		
2022		
	At amortised cost	Total
Interest income	1 143 251	1 143 251
Interest expense	(109 286)	(109 286)
	1 033 965	1 033 965

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Figures in Rand	2022	2021
40. Financial instruments disclosure (continued)		
2021		
	At amortised cost	Total
Interest income (bank/investments)	956 789	956 789
Interest expense	(257 781)	(257 781)
	699 008	699 008

41. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

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

	2022	2021
Financial instrument		
Nedbank - Call Deposit	99 548	96 051
ABSA - Cheque Account	116 689	1 105 956
ABSA - Invest Tracker	3 427	4 683 367
ABSA - Call Account	6 352	1 444 058
Receivables	3 435 218	4 443 845

Market risk

Interest rate risk

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

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

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

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42. Prior-year adjustments

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

The prior period adjustments relate to:

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
VAT Receivable		3 254 114	(6 667)	3 247 447
Trade and Other Payables		(20 758 882)	825 482	(19 933 400)
Receivables from exchange transaction		4 638 944	(195 099)	4 443 845
Accumulated Surplus		(2 939 877)	(623 716)	(3 563 593)
		(15 805 701)	-	(15 805 701)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Recoveries Income		-	90 536	90 536
Government grants & subsidies		61 294 000	(149 000)	61 145 000
Finance Costs		(167 245)	(90 536)	(257 781)
Contracted services		(3 590 154)	26 382	(3 563 772)
Debt impairment		(573 602)	9 423	(564 179)
General expenditure		(11 169 962)	(147 657)	(11 317 619)
Surplus for the year		45 793 037	(260 852)	45 532 185

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43. Budget differences

Material differences between budget and actual amounts

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

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

Statement of Financial Performance

Rental of facilities and equipment

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

Recoveries

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

Interest received debtors

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

Other Income

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

Interest received - Investment

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

Government grants and Subsidies

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

Financial Assistance Income

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

LGSETA Income

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

Employee related costs

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

Remuneration of councillors

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

Depreciation and amortisation

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

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43. Budget differences (continued)

Finance costs

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

Debt Impairment

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

Contracted services

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

General expenses

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

Statement of Financial Position

Inventories

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

VAT Receivables

The municipality over budgeted for Value Added Tax.

Receivables from exchange transactions

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

Cash and cash equivalents.

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

Property, plant and equipment

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

Intangible assets

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

Finance Lease.

The municipality did not budget for the finance lease liability

Payables from exchange transactions

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

Unspent conditional grants

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

Employee Benefit Obligation

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43. Budget differences (continued)

The employee benefit obligation was not budgeted for the year.

Cash flow statement

Grants

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

Other receipts

The municipality overbudgeted the during the year.

Employee costs

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

Suppliers

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

Finance costs

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

Purchase of equipment

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

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44. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGBC)		
Current year subscription / fee	19 092	18 542
Amount paid - current year	(17 485)	(18 542)
	1 607	-
VAT		
Opening balance as previously reported	3 247 447	2 809 227
Add: current period	1 367 549	1 580 829
Less: Amounts paid/ recovered - current year	(1 932 207)	(1 142 609)
	2 682 789	3 247 447
Audit fees		
Opening balance	1 428 515	1 048 187
Current year subscription / fee	3 754 827	3 145 464
Amount paid - current year	(3 881 183)	(2 765 136)
	1 302 159	1 428 515
PAYE UIF and SDL		
Opening balance	593 031	663 104
Current year subscription / fee	9 226 640	9 656 042
Amount paid - current year	(8 485 910)	(9 726 115)
Amount reversed/ written off prior years	(595 930)	-
	737 831	593 031
Pension and Medical Aid Deductions		
Opening balance	19 201	-
Current year subscription / fee	10 583 063	10 270 617
Amount paid - current year	(9 691 114)	(10 251 416)
	911 150	19 201

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45. New standards and interpretations

45.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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45.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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46. Segment information

General information

Identification of segments

The municipality does not have any reportable segments.

XHARIEP DISTRICT MUNICIPALITY
AUDIT ACTION PLAN
2022/2023

Department	Description	Remedial Action	Responsible Manager	Completion Date
Corporate	Internal control: RFI.1 - No evidence exists that a policy register were continuously maintained (RFI1)	Management developed the Policy Review Schedule to ensure that all policies are reviewed and adopted by Council by the 31st March 2023, after the approval of all policies, the policy register will be updated accordingly as per the requirements	Director: Corporate Services	31-Mar-23
MM	Internal control: Non-compliance by the audit committee with meeting and function requirements	Management will ensure the appointment of the Audit Committee on the 25th January 2023 and ensure that Audit Committee are sitting as scheduled.	Manager: IA	25-Jan-23
MM	Internal control: Oversight deficiencies in the audit committee work	Management will ensure the appointment of the Audit Committee on the 25th January 2023 and ensure that Audit Committee are sitting as scheduled.	Manager: IA	25-Jan-23
MM	Internal control: Risk management committee not functional for the year	Council will appoint additional audit committee members and delegate one audit committee member to be the Chairperson of risk committee	MM	25-Jan-23

MM	Understanding the entity and its environment: MPAC only functional for portion of the year	Management will ensure the approved MPAC schedule is monitored and adhered to	MM	30-Mar-23
	Withdrawn	Withdrawn during the audit		
Corporate	Internal control: Limitation of scope - Information requested on committees to understand the control environment was not provided (RFI 4)	To capacitate committees to understand the control environment so that when AG comes they can be able to provide required information	Director: Corporate Services	28-Feb-23
MM	AOPO: No proof that Council approved the performance management framework and no proof that performance audit committee assessed it for compliance	Appointment of Additional Audit Committee members on or before	MM	25-Jan-23
MM	Internal controls: Limitation of scope - Action plans not provided (RFI 17)	Resolved during the audit		
MM	Consequence management: Limitation of scope - Information requested on allegations and complaints not received (RFI 19)	Resolved during the audit		
BTO	Procurement and contract management: Limitation of scope - All requested tender documents were not provided (RFI 20)	Resolved during the audit		

BTO	Internal control: Limitation of scope - Information on experts and delegations not provided (RFI22)	Information on experts must be updated on a Quarterly basis and submitted together with the Audit File. Delegations of authority document will be drafted and submitted to Council	Sejane Matobako - SCM Manager	30 April 2023
BTO	Procurement and contract management: Limitation of scope - Information requested on quotations and procurement system not provided (RfI23)	Resolved during the audit		
	Withdrawn	Resolved during the audit		
MM	Internal audit: Internal control deficiencies identified during assessment of internal audit	Management will ensure the appointment of the Audit Committee on the 25th January 2023 and ensure that Audit Committee are sitting as scheduled.	Manager: IA	25-Jan-23
BTO	Going Concern: Going concern assessment not provided for audit purposes. (RFI.11)	Resolved during the audit		
MM	Internal control: Internal control and risk identification deficiencies	Council will appoint additional audit committee members and delegate one audit committee member to be the Chairperson of risk committee	MM	25-Jan-23
BTO	AFS high level review: Issues identified during the high level review of AFS	and as resolved in the previous audit committee that me Mototo will be assigned to head risk	Thabo Matsiliso- Manager BATS	15-Jul-23
MM	Performance management: No panel in place to conduct the evaluation of the performance for senior management and the municipal manager	A new submission be made to Council on the Appointment of a Committee that will evaluate the performance of Senior Management	Manager: PMS	25-Jan-23
BTO	Receivables: documentation for finance lease prepayment not submitted (RFI63)	Resolved during the audit		
BTO	Property, Plant and Equipment: Asset disposed off not accounted for properly	Management will ensure all requirements of GRAP 17 are met and that disposed assets are removed immediately from FAR	Thabo Matsiliso- Manager BATS	28-Feb-23
BTO	Payables: Differences identified between disclosed information and support for Centlec and leave accrual	All Centlec invoices must be obtained and captured in the correct period. Monthly capturing of invoices	Manager: Expenditure	28-Feb-23

BTO	Consultants: Issues identified during the assessment of consultants	<p>1. Management will develop a clear TOR on all consultancy related projects which require specialized skills and from which skills transfer is needed.</p> <p>2. Performance evaluation report was submitted and therefore the part of the issue is resolved.</p> <p>3. Management will develop consultancy reduction plan that provides enough details on how the municipality intends to reduce the use of consultants in the future.</p>	Sejane Matobako - SCM Manager	30 April 2023
BTO	Consequence management: UIFW expenditure not reported to other role players as required by section 32	<p>Ensure that UIFW reports are submitted to all stakeholders as follows:</p> <p>UIFW Reports to Mayoral committee – Quarterly</p> <p>UIFW Report to MEC Cogta – Quarterly</p> <p>UIFW Report to AGSA – Quarterly</p>	Sejane Matobako - SCM Manager	30 April 2023
Corporate	Employee costs: Internal control deficiencies identified	In the process of Policy Review Management will induct all employees on policies that are aimed at strengthening internal controls in the institution.	Director: Corporate Services	28-Feb-23
MM	Excess above upper limits error calculation	All new senior management appointments made (and going forth), the remuneration is as per the Gazette on Upper limits on the employment of Municipal Managers and Managers directly accountable to the Municipal Manager	MM	30-Mar-23
MM	Consequence management: No evidence of unauthorised expenditure being investigated	All outstanding and current UIF will be tabled to Council and submitted to the MPAC for investigation. The MPAC will then report back to council.	MM	30-Jun-23
BTO	CoA 28-2022 Supporting documentation not provided for expenditure (Rf138)	Resolved during the audit		

Corporate	Employee cost: Non-compliance with Local Government regulations: Appointment and conditions of employment of senior managers	Resolved during the audit	28-Feb-23
MM	Consequence management: Disciplinary committee not effective during the year	A submission has been made to Council recommending the appointment of the Disciplinary board	MM 25-Jan-23
Corporate	ISA: IT Framework, security policy and disaster recovery plans not updated nor not reviewed to address emerging risks	These IT Strategic Documents and Policies were reviewed, the only outstanding matter is to induct councillors on the same. Date will be set to induct Councillors not later than 31 March 2023	Director: Corporate Services 31-Mar-23
BTO	Expenditure: Payments not made within 30 days	Payments within 30 days depends entirely on the municipality's cash flow position.	Nonceba Manyana - Manager Expenditure and Payroll 30 April 2023
MM	Consequence management: No evidence obtained relating to investigation of irregular expenditure	All cases detected will be referred to the Disciplinary Board. As when there are referrals	MM 25-Jan-23
BTO	CoA 34-2022 Prior year payable information not received	Management to develop and implement efficient and effective records management system.	Nonceba Manyana - Manager Expenditure and Payroll 30 April 2023
BTO	CoA 35-2022 Expenditure information not provided for contracted services (RF139)	Resolved during the audit	
BTO	CoA 36-2022 Expenditure information not provided (RF141)	Resolved during the audit	
BTO	Receivables: No supporting documentation submitted for Other debtors (RF161)	Management will ensure that collection letters are sent out timeously and keep record of such. Follow with the lawyers on the matter of Xhariep/Pan Solutions to determine the recoverability of that amount. Disclose a contingent asset on the financial records	CFO 28-Feb-23
BTO	Receivables: Information not submitted for audit purposes - Negative Creditors (RF162)	Resolved during the audit	

BTO	Procurement and contract management: Information requested not provided (RFI 51)	Resolved during the audit		
	Withdrawn	Resolved during the audit		
BTO	Expenditure: Supporting documentation for Travel and subsistence allowance not provided (RFI 50)	Resolved during the audit		
BTO	Three quotations not obtained and deviation not approved	Ensure a minimum of three quotations are obtained. Do a weekly test of transactions	Manager: SCM	28-Feb-23
BTO	Revenue from exchange: No rental agreement between XDM and the NYDA	Obtain a signed NYDA contract and account for revenue	CFO	28-Feb-23
BTO	Irregular expenditure - Supporting documentation not provided for RFI 53	Resolved during the audit		
BTO	Contract Management - Supporting information not provided for request for information no 65	Management to develop and implement efficient and effective records management system.	Nonceba Manyana - Manager Expenditure and Payroll	30 April 2023
BTO	Procurement and contract management: Shared member of bid evaluation and bid adjudication committee	Management will, however, going forward, ensure that BAC records or minute the BEC Chairperson being excused before BAC makes final recommendations.	Sejane Matobako - SCM Manager	30 April 2023
BTO	Procurement and contract management - CSD reports not submitted	All quotations must be obtained from supplier who are registered on CSD. Ensure CSD reports are attached to expense voucher	Manager: SCM	28-Feb-23
BTO	Property, plant and equipment: Internal control deficiencies identified during the physical verifications of assets	Management to ensure that regular verifications reports are presented to Department Management and be subject to a random check.	Thabo Matsiliso- Manager BATS	30 April 2023
Corporate	Disciplinary board payments made without functioning board	Council will appoint a disciplinary board and the board will be functional	MM	25-Jan-23

BTO	Property, plant and equipment: Asset not traced to fixed asset register during physical verifications performed-notes	Perform monthly asset verification process from register to the floor and floor to register. Report on any differences	Manager: Budget and Assets	28-Feb-23
BTO	Revenue from non-exchange transactions: Supporting information not provided for RFI 54	Resolved during the audit		
BTO	Procurement and contract management: Information not received for RFI 69	Management to develop and implement efficient and effective records management system.	Nonceba Manyana - Manager Expenditure and Payroll	30 April 2023
BTO	Supporting documentation for VAT receivables not received	Resolved during the audit		
BTO	Expenditure: Supporting documentation not obtained for non-routine journals on contracted services (RFI 67)	Ensure that all journals and expense vouchers have supporting documents before a payment can be made. Perform as weekly review of all expense vouchers	CFO Manager: Expenditure	Weekly
	Withdrawn	Resolved during the audit		
BTO	Expenditure: Supporting documentation not obtained for fuel and oil (RFI 64)	Resolved during the audit		
BTO	Procurement and contract management documentation not provided for RFI 70	Resolved during the audit		
MM	AOPO - No KPI's and Targets included in the IDP	The IDP will be reviewed; KPI's and Targets will be included in the reviewed IDP	Manager IDP	01-Jul-23
BTO	Expenditure recorded in 2022	Restate any prior year adjustments Record invoices in the correct period	Manager: Expenditure	28-Feb-23

BTO	Contracted services: Payments not made within 30 days	Payments within 30 days depends entirely on the municipality's cash flow position.	Nonceba Manyana - Manager Expenditure and Payroll	30 April 2023
BTO	Contracted services error in amount and VAT captured	Ensure the correct amount and VAT is calculated correctly and capture on the system.	Manager: Expenditure	28-Feb-23
BTO	Finance costs: Finance charges written off in the prior year not correctly classified	Perform review of each transaction captured The matter was corrected with the adjustments to AFS	CFO	28-Feb-23
BTO	Procurement and contract management: Bid evaluation criteria inconsistently applied - Network Infrastructure Revamp	Bid Committees Training as soon as possible Review specifications to ensure that they are complete and relevant No changes to the specifications must be made after they are approved. Ensure correct application of evaluation criteria	CFO	28-Feb-23
BTO	Procurement and contract management: Bid evaluation criteria inconsistently applied - Supply & Maintenance of Telephone system	Bid Committees Training as soon as possible Review specifications to ensure that they are complete and relevant No changes to the specifications must be made after they are approved. Ensure correct application of evaluation criteria	CFO	28-Feb-23
Corporate	Payables from exchange transactions: Differences identified during testing of leave provision	HR to conduct audit of the whole population in a quest to identify and rectify any mistakes relating to leave management	Director: Corporate Services	28-Feb-23
BTO	Difference on COIDA support	Obtain all COIDA invoices and calculate a payable in the accounting records	Manager: Expenditure	28-Feb-23

Corporate	Employee benefit obligation: No information provided for prior year follow up (RFI 71)	HR will ensure that whole payroll data is reviewed and updated		28-Feb-23
Corporate	Employee cost: Follow up on prior misstatements no supporting information submitted (RFI 72)	HR to conduct audit of the whole population in a quest to identify and rectify any mistakes relating to prior misstatements	Director: Corporate Services	28-Feb-23
BTO	Penalty charge on COIDA not on F&W register	Obtain all COIDA invoices and calculate a payable in the accounting records	Manager: Expenditure	28-Feb-23
		Record penalties on fruitless and wasteful expenditure		
BTO	Supporting documentation for payables written of not received	Obtain supplier statements on a monthly basis Perform creditors reconciliation File all supporting documentation appropriately	Manager: Expenditure	28-Feb-23
BTO	Accounting policy issues on debt impairment and bad debt	Review the accounting Policy to be in line with accounting standards	CFO	28-Feb-23
BTO	Depreciation errors not identified in the asset register	Perform monthly asset verification and update the FAR. Calculate the carrying amount per asset	Manager: Budget and Assets	
BTO	Broken and damaged assets not excluded from the financial statements	Perform monthly asset verification and update the FAR. Calculate the depreciation and carrying amount per asset	Manager: Budget and Assets	28-Feb-23
MM		A meeting was conducted in the month of April 2022 to correct the determinants to be measured as per NWA (Act no.36 of 1998) and Gazette no. 26187 and to ensure consistency by the laboratory	Manager: EHP	28-Feb-23
MM	Difference between supporting documentation and water quality reported	Every KPI reported as achieved must be substantiated by relevant evidence	All Directors Manager: PMS	28-Feb-23
BTO	Evidence to confirm the completeness of reported information not obtained	Resolved during the audit		
BTO	MBD 4 forms not provided for SALGA Tax compliance report not provided for vehicle repairs	Resolved during the audit		
Corporate	Appointment date error for actuarial calculation	Review all personal data before submitting to Actuaries including prior year		28-Feb-23

BTO	Payables from exchange transactions: information not provided for RF1 85	Matter was resolved during the audit		
BTO	VAT receivable: Journal information not submitted for RF1 84	Resolved during the audit		
BTO	MBD-4 forms not submitted	Ensure that MBD 4 form is completed and attached to a quotation before accepting any quotation	Manager: SCM	28-Feb-23
BTO	Use of consultants: Non-submission of evidence of skills transfer (RF1 81)	Develop skills transfer forms and ensure that they are completed by the official where a skill was transferred to. All signed forms must be filed	CFO	28-Feb-23
BTO	Difference calculated in travel allowances	Matter was resolved during the audit		
BTO	General expenses: Differences identified between general ledger and invoice amount	Ensure accurate capturing of expenditure transactions Review the General Ledger and perform a completeness test of all transactions.	CFO	28-Feb-23
BTO	Awards to other state officials of other state entities	CSD and MBD 4 documents must be checked thoroughly before awarding to any service provider	Manager: SCM	28-Feb-23
BTO	Specification change on tender of printer	Bid Committees Training as soon as possible Review specifications to ensure that they are complete and relevant No changes to the specifications must be made after they are approved	Manager: SCM	28-Feb-23
BTO	Incorrect awarding for points in printer tender	Bid Committees Training as soon as possible Review specifications to ensure that they are complete and relevant No changes to the specifications must be made after they are approved	Manager: SCM	28-Feb-23
BTO	Professional fee expenditure in the wrong year	Ensure that invoices are captured on the system timely and when goods and services are received and in the correct accounting period	Manager: Expenditure	28-Feb-23

BTO	Printers bid not advertised for minimum 14 days	Ensure that a market research is performed which assist with the type of procurement the Municipality will undertake. Ensure that correct application of a procurement processes is followed Review all findings that related to prior year irregular expenditure and ensure that they are included/updated in the current year register Resolved during the audit	Manager: SCM	28-Feb-23
BTO	Irregular expenditure incomplete register- Prior payment regarded as irregular		Manager: SCM	23-Feb-23
BTO	Related parties: Declaration of interest for related parties - Non submission of RFI 83			
BTO	Risk management disclosure: Amounts as per the disclosure note does not agree to the amount as per the individual notes in the AFS	Management will ensure that reviewing is allocated ample time on the activity plan.	Thabo Matsiliso- Manager BATS	15 July 2023
BTO	Irregular expenditure recognised in the wrong period	Ensure that all invoices are captured timely and that monthly creditors reconciliations are performed Review creditors reconciliations	Manager: Expenditure	28-Feb-23
BTO	Expenditure: Follow-up of prior year cut-off error reported (Iss.59)	Ensure that invoices are captured on the system timely and when goods and services are received and in the correct accounting period	Manager: Expenditure	28-Feb-23
BTO	Follow-up on prior year misstatements: Expenditure (Iss.60)	Ensure that travelling claims are captured on the system timely and in the correct accounting period. Publicise the cut-off date for submission of travelling claims	Manager: Expenditure	28-Feb-23
BTO	Follow-up on prior year misstatements: VAT (Iss.61)	Visit the population to identify any additional errors and make necessary prior year corrections	Manager: Expenditure	28-Feb-23
BTO	Follow-up on prior year misstatements: Expenditure (Iss.64)	Inspect a schedule of misstatements and identify all prior misstatements and make necessary adjustments.	CFO	28-Feb-23

MM	AOPO: TL38 target differs from SDBIP	Management will be given ample chance to review the APR before submission to AGSA for Auditing	Manager: PMS	28-Feb-23
BTO	Irregular expenditure: Prior period error VAT Adjustment inaccurate	Review all transactions to be included in irregular expenditure and ensure that correct accounting for VAT is applied	Manager: SCM	28-Feb-23
BTO	Unauthorised expenditure overstated and error in calculation	Review all transactions to be included in unauthorised expenditure and ensure that all transactions are included and disclosed in AFS	Manager: Budget and Assets	28-Feb-23
MM	AOPO: TL34 - Play an oversight role in terms of implementation of the RRAMS project (Number of reports to council) Differences observed from reported value	1. RRAMS Implementation reports are generated on a monthly, Quarterly and Annual bases, for these reports to timeously reach management platform, the approved schedule of meetings of the Management Committee must be adhered to (as per the committed and approved schedule), as delivery of the referred to KPI depends on the record of minutes of management.	Manager: LED	30-Apr-23
MM	AOPO: KPI: D33 - Environmental Health Services - No. of Health Education programmes/ projects planned (Evidence confirming the validity of the reported target not included in AoPO file)	Management should development of a schedule and adherence to it (Non duplication of planned programmes) at the beginning of the financial year	All Directors Manager: PMS	28-Feb-23
MM	AOPO: Information on D36 relating to food premises not obtained	Review Environmental Management Operational Plan. Review XDM Food Monitoring Plan+ J78 Develop Municipal Health Services Policy	Manager: EHP	31 April 2023
MM	AoPO: Number of water quality tests not agreed to reported values in D37	Resolved during the audit		
BTO	Vat returns not submitted in time	Management will ensure that all VAT returns are submitted on time.	Nonceba Manyana - Manager Expenditure and Payroll	30 April 2023
BTO	Financial instruments disclosure: Non-financial instruments are included as financial instruments in the disclosure	Ensure that GRAP 104 is fully complied with when disclosing financial instruments	CFO	15-Aug-23

BTO	Financial instruments accounting policy issues	Ensure that the Accounting policy for financial instruments is aligned to GRAP 104	CFO	28-Feb-23
BTO	Receivables from exchange transactions: Nashua recovery amount incorrectly recognised as a receivable.	Make a follow-up with the lawyers and assess the recoverability of debt.	CFO	28-Feb-23
BTO	Error in grading calculation	Revisit the grading calculation and ensure that correct population statistics is used	CFO	28-Feb-23
Corporate	Acting allowance in excess of policy	Management will remunerate according to policies and recover where necessary		28-Feb-23
BTO	Prior year revenue from non-exchange in the wrong year	Ensure that invoices are captured on the system timely and when goods and services are received and in the correct accounting period	Manager: Expenditure	28-Feb-23
BTO	Occurrence of expenditure not confirmed(Moya)	Ensure that there is a proof of work performed or proof of delivery of goods obtained for each transaction. No payment will be effected without evidence of occurrence	Manager: SCM	28-Feb-23
BTO	Regenesys MBD 4 not submitted	Ensure that theres MBD 4 forms attached for each quotation received	Manager: SCM	28-Feb-23
BTO	Impairment of Kopanong	Matter was corrected in the AFS Management should perform and assessment of all debtors and perform impairment calculation	CFO	28-Feb-23

BTO	VAT receivables differ from support	Matter was corrected during the audit. Ensure that VAT is accounted on accrual basis and VAT reconciliations are performed on a monthly basis	Manager: Expenditure	28-Feb-23
BTO	Three quotations not obtained and deviation not appropriate	Obtain three quotations for transactions above R 2,000	Manager: SCM	28-Feb-23
BTO	Expenditure classification differences	Management will create additional accounts for the EPWP grant expenses so that they are correctly classified but are still linked to the grant funding source Ensure correct classification of the expenditure accounts and correctly record the VAT amounts.	Manager: Expenditure	28-Feb-23
Planning	Occurrence of expenditure not confirmed(Dipabala)	Verify all RRAMS invoices against timesheets and log-sheets and monthly reports to ensure accuracy of payments	Manager: LED	28-Feb-23
BTO	Provincial infrastructure grant classification error	Provincial infrastructure grant must be recorded as payables and not as unspent grant Engage AG on the matter of inconsistency applied when auditing	CFO	28-Feb-23
BTO	Thetha grant supporting documentation	Obtain supporting documentation relating to Theta Grant and submit to auditors	CFO	23-Feb-23
Corporate	All appointment processes not followed	Management will appoint according to recruitment and Selection policy including the policy review where they are gaps in line with Municipal Staff Regulations.		28-Feb-23
BTO	Friday management solutions not a receivable	Follow up the investigation report from MPAC to determine whether Friday Management is a receivable or is considered for write off	CFO	28-Feb-23
BTO	COIDA penalty not included in UIFW	Resolved during the audit		
BTO	Budget statement differences	Obtain a signed NYDA contract and account for revenue		

BTO	Expenditure approved by one officials	Ensure that necessary approvals are obtained for each transaction (Manager, HOD, CFO and MM).	CFO	28-Feb-23
Corporate	Bursary allocation error and policy transgressions	No procurement will process when approvals are insufficient Review of bursary Policy to give effect to procedures for study assistance or bursary administration	Director: Corporate Services	28-Feb-23
BTO	Difference between creditor's statement and financials	Obtain all supplier invoices and statements Perform creditors reconciliation on a monthly basis Keep supporting documentation for filing purposes	Manager: Expenditure	28-Feb-23
Corporate	Employees terminated not included on the list	Management will review all data before submitting to actuaries	Manager: HR	28-Feb-23
BTO	Differences on travel claims	Review S&T policy to include the tariffs applicable to Councillors	CFO Director: Corporate Services	28-Feb-23
BTO	Lack of evidence on occurrence of expenditure	Ensure all supporting documentation is available before any payment can be processed	Manager: Expenditure	28-Feb-23
BTO	Prior year grant misstatement	Matter was corrected with AFS adjustments		
BTO	Expenditure exceeds contract values	Ensure that contract reconciliation is performed on a monthly basis to identify any over or underspending on contracts	Manager: SCM	28-Feb-23
BTO	Contract without end date	Management will ensure that all contracts have a clear end date to avoid the possibility of contracts being open ended.	Sejane Matobako - SCM Manager	30 April 2023
MM	Withdrawn AOPO: D34 quarterly reports not submitted timeously to management	Management will ensure that monthly reports are submitted timeously to Management and PMS office	All Directors	30-Mar-23

BTO	MFMA disclosures differ from source	Ensure that the payroll information on the system agrees to GL and disclosure note. Make necessary corrections on prior year figures	CFO	28-Feb-23
BTO	Unauthorised expenditure not split between cash and non cash items	The matter was resolved during the audit.		
Corporate	Prior year employee benefit error not resolved	Management will adjust the date of entry of personnel as per the findings and review all staff data.		28-Feb-23
BTO	Prior year employee costs misstatements	Ensure that the payroll data cleansing is implemented in order to identify errors and update information. Review HR and Allowances policies to align with relevant HR prescripts	Director: Corporate Services	28-Feb-23
MM	AOPO D39 Kopanong overstatement			
MM	AOPO D39 Mohokare overstatement	Management must ensure timeous payment of the laboratory, which will allow timeous provision of results. Manager: EHP to assess results monthly to ensure that all required criteria as per NWA (Act no.36 of 1998) and Gazette no. 26187 is consistently assessed by the laboratory.	Manager: EHP	28-Feb-23
MM	AOPO D39 Letsemeng overstatement	Management must ensure timeous payment of the laboratory, which will allow timeous provision of results. Manager: EHP to assess results monthly to ensure that all required criteria as per NWA (Act no.36 of 1998) and Gazette no. 26187 is consistently assessed by the laboratory.	Manager: EHP	28-Feb-23
MM	AOPO: D39 quarterly report not submitted timeously to management	Management will ensure that monthly reports are submitted timeously to Management and PMS office	All Directors	30-Mar-23

MM	AOPO: TL33 limitation on RRAMs grant spent	<p>1. Management must submit the outstanding submitted requisition with supporting finance related documentation.</p> <p>2. Management must ensure that record keeping systems, policy procedure manuals for record keeping and alternative electronic record keeping systems are in place.</p> <p>3. Management must that the record keeping section in BTO must be intergrated into the overall municipal records and archives section in Corporate Services</p>	Manager: LED	30-Apr-23
MM	TL32 not regarded as well defined	Review the SDBIP after the approval of the adjustment budget and apply the SMART principle	Manager: PMS	15-Mar-23