2020-2021

XHARIEP DISTRICT MUNICIPAITY

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

MAYOR'S FOREWORD

This document serves to provide inside on the annual activities and financial account of the Xhariep District Municipality for the 2020/21 financial year.

For the 2020/21 financial year, South Africa has been under National lockdown which was adjusted at various stages depending on the spread of the virus in the country. The adjusted levels meant that the Municipality had to also adjust its work force schedules as to comply with the conditions of the lockdown

Despite the upset of the Covid-19 pandemic, the Municipality was still able to discharge some of its key mandates and obligations. The following are some of the key highlights

1. Sports and Recreation – Partnership with Transnet Foundation

Multi-Sports facility in Luckhof was refurbished and completed in March 2021. Fencing and planting of the lawn in a soccer pitch at Itumeleng/Jagersfontein which was also completed in March 2021.

2. Education

A total of three hundred and eighty six (386) learners were registered on the NSFAS for financial assistance. Two students were assisted with registration fees at Institutions of Higher Learning while others were provided with laptops.

3. Health

The Municipality has been providing monitoring of the Covid-19 pandemic through its Joint Operation Centre and the Xhariep District Command Centre. Several compliance monitoring operations were conducted on business buildings and during burials.

4. Poverty Interventions

The Municipality distributed four hundred (400) food parcels to needy families. The Municipality further assisted Gift of the Givers in distributing six hundred food parcels within the District.

5. Disaster

The Xhariep District Municipality also played its role in assisting when there were veld fires, shack fires, and paupers' burial.

6. Unemployment

The Municipality continues to provide temporary employment opportunities through its Expanded Public

Chapter 2

Works Program (EPWP).

The report further provides details on other service delivery interventions through other strategic partnership with other spheres of government, the private sector and the greater community of Xhariep District Municipality.

I am thankful to the Municipal Council and its administration for their dedication in ensuring this achievement.

Cllr M. Sehanka
Executive Mayor

T 1.0.1

Chapter 2

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

The preparation of this year's annual report comes at a time when the country and the municipality is facing an invisible and deadly enemy called COVID-19.

The **2020-2021** financial year has been over shadowed by over a thousand infections in Xhariep District and over **250** fatalities. The negative impact on the local economy and social challenges brought about by this virus will remain with us for many years to come. However, besides all the challenges that we have faced the municipality remains committed to the attainments of its priorities.

The management of COVID-19 in the District continued to be through the District Command Council, chaired by the Executive Mayor and the District Command Centre chaired by myself as the district Municipal Manager. The Centre meets weekly and has been throughout and to date. Through this forum we have managed to assist families affected by the pandemic, also families that had lost their loved ones either through the pandemic or by other circumstances, we managed to assist at quarantine and isolation sites with blankets. Partnering with the department of Social Development we also managed to distribute food parcels, the municipality has also assisted learners with registration funds and equipment such as laptops.

The COVID-19 pandemic has affected everyone negatively even the functioning of the Municipality had to be configured in a manner that does not endanger employees' lives. So the institution had to move to online operations and manage the municipal progress through applications such as Zoom, Ms Teams and Jitsi Meet. We like everyone else in the country must adhere to regulations as and when the Government amends according to the risk profile of the Country and Provinces.

Although new and difficult for this new norm, the district managed to hold the public participation sessions for the **review of the IDP & Budget** while observing the strict COVID-19 protocols.

The municipality received an **unqualified** audit opinion with a number of matters being emphasised by the Auditor General South Africa (AGSA). All recommendations of the AGSA are being seriously adhered to and a detailed audit action plan was developed in order to keep regular monitoring of all compliance matters and the implementation of recommendations. Xhariep District is hard at work to ensure that a clean audit is realised.

SALGA's Practical Guide in enhancing oversight in municipalities (2012) stresses the importance of oversight and further highlights the following; "Since there is no neat distinction between the 'executive' and 'legislative' arms of council as it were, effective and proper oversight of the 'executive' at local level thus requires members of Council to fully understand the justifications and rationale behind accountable government and the purpose it serves. The oversight role is often seen as that of opposition parties alone, designed to police and expose maladministration and corruption. Such a view is limited and deficient. Oversight and accountability helps to ensure that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the Constitution". During the year under review the municipality has been consistent in assisting council to carry out its obligations with distinction.

The Council committees that were established at the beginning of this administration have been meeting accordingly and providing the necessary oversight. Key amongst these committees is MPAC and the relationship between the executive and MPAC is cordial and collaborative. During the period under review, the section 56 manager positions were all filled, however we saw the resignation of the Corporate Services Director towards the end the 2020 / 2021 financial year.

My gratitude goes to Deputy Commissioner of the South African Police Service in the Province; General Lesia for his unwavering support in terms of assisting the municipality in Disaster Management related matters e.g dispatching of a helicopter to rescue animals when trapped in the Caledon River due to floods. Extinguishing of veld fires and providing security during protest and community unrests in the district.

Chapter 2

On behalf of Management of Xhariep District Municipality, I wish also to express our profound gratitude to all the municipal staff for their unwavering support and commitment to the institution. Without them we would not have reached the milestones we have and the sacrifices they have made towards the institution. We shall continue to value their contributions.

We shall continue accelerating the delivery of services through innovation.

We give account of the 2020-2021 financial year through this annual report.

Sincerely,

Moletsane ....

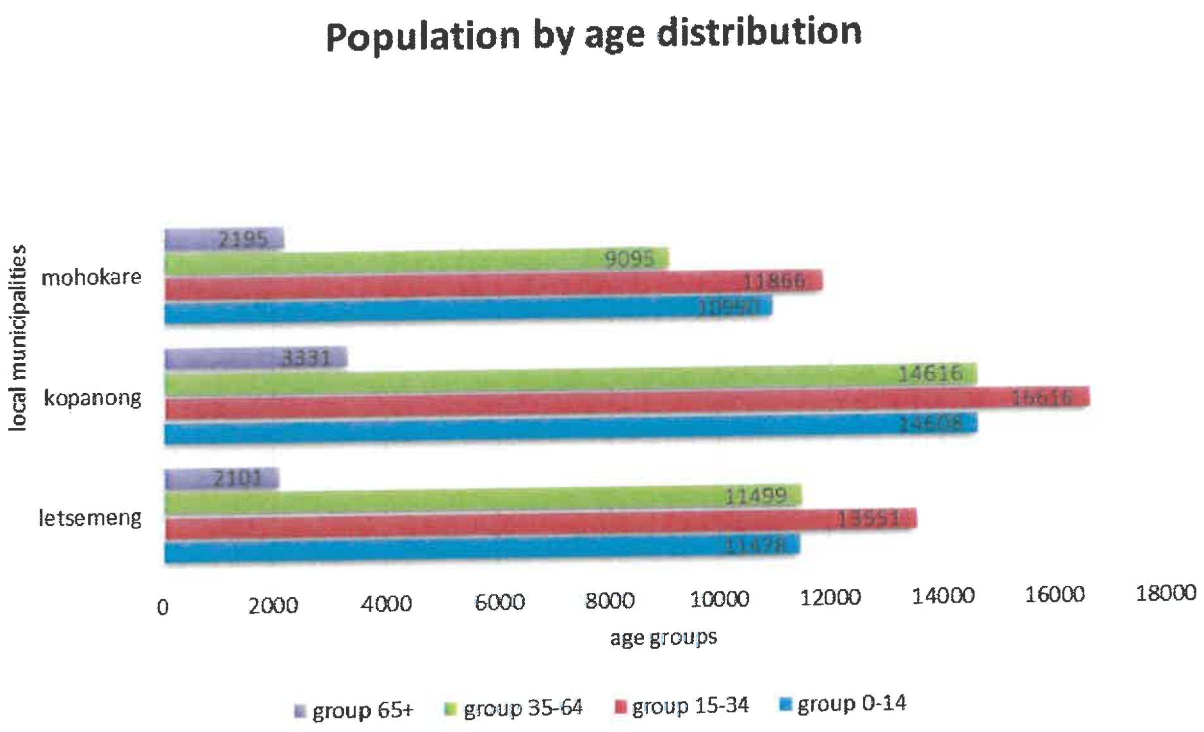
Me. LY Moletsane
Municipal Manager

T1.1.1

Chapter 2

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Population Details



Source: Statistics SA Community Survey 2016

T1.2.2

INTRODUCTION TO BACKGROUND DATA

Out of 16 district functions, Xhariep district municipality is performing 3(18.75%) 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 121 945 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

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

T1.2.4

Overview of Neighborhoods within Xhariep District Municipality'	
Settlement Type	Households
Formal	
2018-2019	39528
2019-2020	39 571
2020-2021	20 882
Traditional	
2018-2019	182
2019-2020	1906
2020-2021	1 906
Informal settlements	
2018-2019	2744
2019-2020	5 446
2020-2021	2 744

T1.2.6

Natural Resources	
Major Natural Resource	Relevance to Community
Water (Gariep Dam)	Supply of water to households and generation of electricity.
Diamonds(Jaggersfontein 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

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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 no 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 capital projects are mainly funded from own or internal funding.

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 - 2020/2021			R' 000
Details	Original budget	Adjustment Budget	Actual
Revenue	67 947	69 688	62 955
Grants	66 302	68 101	61 352
Rental of facilities	649 1	649	565
Interest Earned	871	860	957
Other Income	125	78	81
Public contributions donations and other transfers		0	0
Expenditure	67 947	68 897	69 165
Surplus / Deficit	0	791 182	(6 210)
			T1.4.2

Operating Ratios	
Detail	%
Employee Cost	74.40
Repairs & Maintenance	0.55
Finance Charges & Impairment	1.07
	T1.4.3

COMMENT ON OPERATING RATIOS

Employee related costs (inclusive of councilor's remuneration) constitutes 74.40% of the total expenditure and excessively high, repairs and maintenance (0.55%) significantly lower than the 8% NT guide while finance charges are curbed lower at 1.07%.

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 2019-2020

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

- Material adjustments in the Annual Financial Statements as well as the Annual Performance Report;

- Non-compliance with laws and regulations;

- Irregular, Fruitless and Wasteful Expenditure; and

- Non investigation by MPAC.

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 2019-2020 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 he presides over both Ordinary and Special Council meeting and he 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 19 August 2016 and consists of 15 Councilors.

The Municipal Council consists of Eleven (11) Councilors who are representing the African National Congress, four (4) Councilors representing Democratic Alliance and one (1) Councilor representing the Economic Freedom Front. 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 M.J Sehanka

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

SPEAKER

Cllr NS Mnqunqguthu

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 KJ Sebeco: Chairperson of the Budget and Treasury Committee

Cllr K Moeketsi: 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	5	5
Democratic party	4	1	3

Economic Freedom Fighters	1	1	-

T2.1.1

COUNCILLORS

The Council structure consists of 15 Councilors, seven (7) Councilors are directly elected and eight (8) are Seconded from the three local Municipalities which are, Kopanong, Letsemeng and Mohokare local Municipality. The Five full time Councilors includes the Speaker, the Executive Mayor and the three (3) Mayoral Committee members.

Directly Elected Councilors or PR Councillor:

Cllr MJ Sehanka

Cllr NS Mqungquthu

Cllr JK Sebeco

Cllr TS Tseoua

Cllr AJJ Van Rensburg

Cllr MS Mogapi

Cllr MJ Matlakala

Seconded Councilors from Local Municipalities:

Kopanong Local Municipality	**Letsemeng Local Municipality**	**Mohokare Local Municipality**
Cllr K Moeketsi	Cllr AN November	Cllr TD Mochechepa
Cllr MJ Moitse	Cllr Phaliso	Cllr IS Riddle
Cllr Van Wyk	Cllr TV Nthapo	

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
Adv. Zenzile Qhena Majenge

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

DISTRICT INTERGOVERNMENTAL STRUCTURES

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

Technical Support Committee

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

T2.3.4

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

2.3 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

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	-	-	-	There were no public meetings for the year under review due to COVID-19
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	-	-	-	There were no public meetings for the year under review due to COVID-19
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	-	-	-	There were no public meetings for the year under review due to COVID-19
Stakeholders and community meeting, to present the draft IDP and budget to the community and stakeholders	-	-	-	There were no public meetings for the year under review due to COVID-19
				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

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

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 enhanced risk management approach by establishing the Risk Management Committee in 2017.The Committee is guided by the Charter approved by the Accounting Officer. However due to financial constraints Accounting Officer cancelled this Committee during the first quarter.

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 approved by council for 2020-2021 financial year. 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 measures to prevent fraud and corruption from occurring.

T2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT
The Supply Chain Management (SCM) function of the District is centralized under the Budget and Treasury Office, within the Supply Chain Management Unit. This was implemented with the view of strengthening the capacity and ability of the district to comply with the MFMA and National Treasury Regulations. All these mechanisms and systems seeks to ensure that the SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption. The District has an approved Supply Chain Management Policy which is reviewed annually. The municipality also has Standard for Infrastructure Procurement Delivery and Delivery Management which deals mainly with infrastructure related projects only as opposed to the Supply Chain Management Policy that deals specifically with goods and services. T2.8.1

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 (2019-2020)	Yes	
The annual report (2019-2020) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2020-2021) and resulting scorecards	Yes	
All service delivery agreements (2020-2021)	No	
All long term borrowing contracts (2020-2021)	No	
All supply chain management contracts above a prescribed value (give value) for 2020-2021	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 2020-2021	No	
Contracts agreed in 2020-2021 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 2020-2021	No	
All quarterly reports tabled in the council in terms of section 52 (d) during 2020-2021	No	

T2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS

The IT Unit has is currenlty collecting all the information that needs to be published on the municipal website. Periodic communications are sent to various Directorates for them to send website information that needs to be published. This information is checked before its published on the municipal website.

The municipality is still using the Provincial website that was created for all Free State Municipalities.

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 Boarding 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 , 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	2019-2020	2020-2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	4	4	4	0	0%
4 – 6	9	10	9	1	28.5%
7 – 9	1	1	1	0	100%
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	15	14	1	21.4%

T3.10.4

Financial Performance 2020-2021: Planning Services					
					R'000
Details	2019-2020	2020-2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	15 210	15 139	15 589	14 389	1200
Expenditure:					
Employees	9 044	10 045	10 923	10 913	10
Repairs and Maintenance	0	0	0	0	0
Other	3 931	4 716	4 056	2 732	1 324
Total Operational Expenditure	13 033	14.761	14 979	13 645	2 618
Net Operational Expenditure	2 177	378	610	744	-1 418

T3.10.5

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The LED strategy was reviewed and adopted by Council in March 2016.The aim of the strategy is to reflect the most recent local and regional development dynamics and appropriately packaged them for investment. Relevant stakeholders were given an opportunity to be part of the review and make inputs on the strategy. The projects in the strategy have not yet been implemented because of financial constraints of the municipality and lack of land where development needs to take place.

The District is in the process of reviewing the strategy for 2019-2020 assisted by COGTA FS and DESTEA. Due to the COVID-19 and the lockdown the process pace has slowed down; this is due to other priorities that the municipality, CoGTA and DESTEA have to attend to ensure the cushion on Covid 19 effects. COGTA has assisted so far Mohokare Local Municipality and Kopanong Local Municipality and the Letsemeng document will soon be finalised, it is ideal that the local municipalities documents are reviewed and complete, in order to allow for the formulation of the District LED strategy. We envisage this process to have been completed by 2021/2022 financial year.

T3.11.1

COMMENT ON LOCAL JOB OPPORTUNITIES

The Xhariep District Agri Park Implementation process has unfolded and the department of Rural Development and Land Reform is continuing with assisting with the funding aspect of the process. To date two service providers have been appointed for the construction projects in both Springfontein (Construction of a warehouse and bulk services) and Zastron (Farmers Production Support Unit).

The Springfontein Warehouse has been completed and Zastron FPSU site is nearing completion, though difficulties were brought about by the Covid 19 pandemic. The district is eagerly awaiting the phase two of the project as it is a project that is funded by National department of Agriculture, Land Reform and Rural Development. The job opportunities created are outlined in the table below per site.

T3.11.4

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)				
2018-2019	20	0	20	Xhariep District Agri Park, portion of the 1st phase in Springfontein – Construction of the warehouse and bulk services
	9	0	9	Xhariep District Agri Park, portion of the 1st phase in Zastron (Farmers Production Support Unit)
2019-2020	36	0	36	Xhariep District Agri Park, portion of the 1st phase in Zastron (Farmers Production Support Unit)
	19	0	19	Xhariep District Agri Park, portion of the 1st phase in Springfontein – Construction of the warehouse and bulk services
2020-2021	55	0	55	Xhariep District Agri Park, portion of the 1st phase in Zastron (Farmers Production Support Unit)
	157	0	157	Xhariep District Agri Park, portion of the 1st phase in Springfontein – Construction of the warehouse and bulk services
				T3.11.5

Chapter 3

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2018-2019	3	136
2019-2020	3	128
2020-2021	3	187
** - Extended Public Works Programme*		T3.11.6

Employees: Local Economic Development Services					
Job Level	2019-2020	2020-2021			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
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

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

INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING 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. Certificate of health are issued to compliant ECD's and old age homes. 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. Raids are conducted with the assistance of SAPS to curb non -compliance by shop owners and seize expired foods. Monthly monitoring of all premises is conducted by the Environmental Health Practitioners.

Health Awareness

The following activities were conducted in order to raise awareness on food safety, the plight of Listeria and other communicable including COVID-19;

Public door to door 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 reached for the campaigns were 13.

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 issued out compliance notices to funeral parlors both government and private which are found to be compliant and non-compliant with the set legislation. A certificate of Compliance (COC) is issued in accordance with the legislation to compliant premises. Since the beginning of the national outbreak the unit oversees all COVID-19 funerals within the district to ensure adherence with the Disaster Management Regulations (Government Notice No 11314 of 25 July 2021.

T3.64.1

Chapter 3

3.67 DISASTER MANAGEMENT

INTRODUCTION TO DISASTER MANAGEMENT

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

Top 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

Employees: Disaster Management					
Job Level	2019/2020	2020/2021			
	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

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.69 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

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

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

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

T3.69.1

Employees: The Executive and Council					
Job Level	2019-2020	2020-2021			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13/0 - 3	6	6	6	0	17%
4 - 6	4	4	4	0	0
7 - 9	4	4	4	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	14	0	93%

T3.69.4

Chapter 3

Financial Performance 2020-2021: The Executive and Council R'000					
Details	2019-2020	2020-2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	15 595	14 666	15 116	14 783	333
Expenditure:					
Employees	11 343	11 548	11 664	11 567	97
Repairs and Maintenance	0	0	0	0	0
Other	4 200	4 485	3 871	3 865	6
Total Operational Expenditure	15 543	16 033	15536	15 432	104
Net Operational Expenditure	52	-1 367	-420	-649	-229
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.69.5

Employees: Financial Services					
Job Level	**2019-2020**	**2020-2021**			
	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	25%
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**	**17%**
					T3.70.4

Financial Performance 2020-2021: Financial Services					
					R'000
Details	2019-2020	2020-2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	15 355	16 922	16 868	13 467	3 221
Expenditure:					
Employees	8 666	9 439	9 237	9 083	154
Repairs and Maintenance	0	0	0	0	0
Other	5 696	5 629	6 000	7 317	(1 317)
Total Operational Expenditure	14 362	15 068	15 237	16 400	(1 163)
Net Operational Expenditure	993	2 245	1 854	2 753	4 384

Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T3.70.5

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

Employees: Human Resource Services					
Job Level	2019-2020	2020-2021			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	3	5	3	0	0%
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	5	0	0%

T3.71.4

Financial Performance 2020-2021: Human Resource Services					
					R'000
Details	2019-2020	2020-2021			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	21 221	21 666	22 116	19 890	2 226
Expenditure:					
Employees	17 685	17 551	17 739	19 416	(1 677)
Repairs and Maintenance	506	695	663	379	284
Other	2 910	3 299	4 690	3 968	722
Total Operational Expenditure	21 101	21 545	23 144	23 763	(619)
Net Operational Expenditure	120	121	(1 028)	(3 873)	(1 290)
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.71.5

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 is a serious challenge in the municipality. The network infrastructure is old and dilapidated. Network a lot of points are not working fine. The network layout is cumbersome. Network switches are old and giving problems. Trunking in many offices needs to be replaced. No patch management installed. The whole network infrastructure needs to be revamped.

3. Ensure Servers and server room is fully functional. The Unit installed a new server for the GeoRRAMS system for the Planning and Social Development Directorate. The only other issue is the fire extinguisher system in case of disaster.

4. Ensure information systems are fully operational. This is ensured by creating sound IT environment. All the information systems that are installed in the environment are functional.

5. Ensure smooth Telecommunications. The telephone system is not working properly. The municipality is unable to make outgoing calls.

6. Ensure printing facility is available. The only challenge here was delay or none-servicing of the machines and the supply of toners, which happens because of the delay in the payment of the service provider.

7. Ensure Municipal Website is fully functional. The website is working perfectly. The only challenge is that of the Departments and Units are not submitting necessary documents to the IT Unit or Communications Unit, some documents are not submitted on time, in some instances not submitted at all.

T3.72.1

Employees: ICT Services					
Job Level	2019-2020	2020-2021			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
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

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	Employment contracts	Entering into performance agreements with the employer within 30 days of date of appointment/60 days for new appointees	4	4	0	-	-	4	4	0
TL2	To maintain a skilled, capable and diverse	MT&ID	Performance Management	Assessment of the Performance of Senior Management on a	4	0	(4)	There was no formal committee in place to conduct	A formal assessment has been scheduled for September	4	0	(4) informal

	workforce in a good working environment			quarterly basis				the evaluation of the performance of Senior Management. The Office of the Municipal Manager made a submission to Council recommending the appointment of a Committee. Council endorsed the appointment of an evaluation Committee for the assessment of the performance of Senior Management	2021 as per the schedule of the performance agreements of Senior Management. This will cover all outstanding formal assessments.			
TL3	To maintain a skilled, capable and diverse workforce in a good working environment	Perform ance Manage ment	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	Overseeing the functionality of Audit Committee	Overseeing the functionality of Audit Committee	Quarterly Audit Committee meetings	4	4	0	-	-	4	4	0
TL5	Embed good governance through sound administrative practices and improved stakeholder relation	Providing support to Local Municipalities through Technical IGR engagements	Providing support to Local Municipalities through Technical IGR engagements	No. of Technical IGR meetings held	2	1	(1)	The Technical IGR did not sit as planned in quarter 4 due to the non-availability of members (local municipal managers)	Technical IGR will sit as planned in the new financial year because other platforms can now be used (virtual) to host such meetings	4	1	(3)
TL6	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	Quarterly Risk Management Committee meetings	4	1	(3)	Risk Management Committee was not fully functional in the year under review	Management resolved that all Risk management related matters will be dealt with in the Audit and Performance Committee going forth	4	3	(1)

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 2019-2020 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)
TL9	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	SALGA membership	Payment of the SALGA membership on or before 30 June 2021	1	1	0	-	-	1	1	0
TL10	Embed financial	MFV&M	Ensure compliance	Monthly reports on irregular,	12	12	0	-	-	12	12	0

	viability and sustainability through good financial management		with Section 32 of the MFMA	unauthorised, fruitless and wasteful expenditure								
TL11	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure compliance with the Regulations of the DMA,2002	Appointment of Risk Manager/Officer and conducting Risk Assessment to give effect to a COVID-19 ready workplace on or before 30-Aug-2020	1	1	0	-	-	New KPI	New KPI	New KPI
REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	CHIEF FINANCIAL OFFICER											
TL 12	Embed financial viability and sustainability through good financial	MFV&M	Annual Financial Statements	Compilation AFS on or before 31 Aug 2020 and submission to AGSA	1	1	0	-	-	1	1	0

	management											
TL13	Embed financial viability and sustainability through good financial management	MFV&M	Oversee the review and implementation of the Audit Action Plan	Updated Action Plan	2	2	0	-	-	2	2	0
TL14	Embed financial viability and sustainability through good financial management	MFV&M	Review of journals prior capturing on the financial system(pastel)	Quarterly review of journal entries	4	4	0	-	-	4	4	0
TL15	Embed financial viability and sustainability through good financial management	MFV&M	Ensure that the FMG conditional operational grant is fully utilised by 30 June 2021	% of FMG conditional operational grant spent on a quarterly basis	100%	100%	0	-	-	100%	100%	0
TL16	Embed financial viability and sustainability through good	MFV&M	Oversee the implementation of the SCM Policy	Quarterly reports on the deviations of the SCM Policy	4	4	0	-	-	4	4	0

	financial management											
TL17	Embed financial viability and sustainability through good financial management	MFV&M	Compilation of MFMA Sec 71 reports to Provincial and National Treasury	Monthly MFMA Sec 71 reports	12	12	0	-	-	12	12	0
TL18	Embed financial viability and sustainability through good financial management	MFV&M	Compilation of MFMA Sec 52 (d) reports to Provincial and National Treasury	Quarterly Sec 52(d) (MFMA) reports	4	4	0	-	-	4	4	0
TL19	Embed financial viability and sustainability through good financial management	MFV&M	Compilation of SCM reports t o Provincial and National Treasury	SCM quarterly reports	4	4	0	-	-	4	4	0
TL20	Embed financial viability and sustainability	MFV&M	Monitor the implementatio n of the Demand	Quarterly reports on the implementation of the Demand	4	4	0	-	-	4	4	0

	through good financial management		Management Plan	Management Plan								
TL21	To maintain a skilled, capable and diverse workforce in a good working environment	MFV&M	Ensure compliance with circular 17/2020 of SALGA	100% expenditure on the COVID-19 budget on or before 30-Jun-2021	100%	100%	0	-	-	New KPI	New KPI	New KPI
TL22	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management Committee meetings attended	4	1	(3)	Risk Management Committee was not fully functional in the year under review	Management resolved that all Risk management related matters will be dealt with in the Audit and Performance Committee going forth	4	3	(1)

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	DIRECTOR: CORPORATE SERVICES											

TL23	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 2021	1	1	0	-	-	1	1	0
TL24	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Employment Equity	Monitor and report on the implementation of the Employment Equity Plan	1	1	0	-	-	1	1	0
TL25	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Work Skills Plan	No. of employees trained on MFMP for the 2019/2020 financial year	5	5	0	-	-	5	0	(5)
TL26	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

TL27	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Ensure that Council sits as regulated by the MSA(Act 32 of 2000)	No. of Council (ordinary) meetings	4	3	(1)	Council had a lot of Special sittings hence the three Ordinary sittings in the 2020-2021 financial years.	Council will sit as stipulated by the Local Government: Municipal Systems Act	4	4	0
TL28	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Stakeholder relations	No. of District Health Council meetings held	2	2	0	-	-	2	1	(1)
TL29	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure Functionality of the Local Labour Forum	No. of Local Labour Forum meetings	4	1	(3)	The LLF was not fully functional in the current financial year as a result meetings could not sit	Management and the Labour unions to resuscitate the LLF in the new financial year	4	2	(2)

								as planned				
TL30	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Ensure safety of municipal employees	Servicing and replacement of fire extinguishers on or before 30 June 2021	1	0	(1)	Fire extinguishers were not serviced as planned in the year under review	The Human Resources division would ensure that the fire extinguishers are serviced or new ones are bought at the beginning of the new financial year	1	1	0
TL31	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	4	0	-	-	New KPI	New KPI	New KPI
TL32	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management Committee meetings attended	4	1	(3)	Risk Management Committee was not fully functional in the year under review	Management resolved that all Risk management related matters will be dealt with in the Audit and Performance Committee	4	3	(1)

									going forth			
TL33	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Mandela Day	Purchasing of blankets for Mandela day before 31 July 2020	100	0	(100)	Mandela day could not be celebrated due to the COVID-19 lockdown restrictions	This activity will take place as directed by the Disaster Management Regulations	100	100	100
TL 34	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	OR Tambo Games	100% utilisation of the OR Tambo Games budget by 30 October 2020	100%	0%	(100%)	No expenditure was incurred on OR Tambo Games due to the COVID-19 lockdown restrictions	This activity will take place as directed by the Disaster Management Regulations	100%	143.6%	(43.6%)
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											

TL35	Create an inclusive, responsive, and healthy environment conducive for living and sustainable growth	BSD&ID	Maintaining and improving the standard of water quality(complian ce to SANS 24)	Ensure that water quality tests are done on a quarterly basis	4	4	0	-	-	4	4	0
TL36	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 2021	% of RRAMS grant spent on a quarterly basis	100%	100%	0	-	-	100%	100%	0
TL37	Create an inclusive, responsive, and healthy environment conducive for living and sustainable growth	BSD&ID	Play an oversight role in terms of the implementation of the RRAMS project	No. of reports to Management/Cou ncil on the implementation of the RRAMS project	4	4	0	-	-	4	0	(4)

TL38	To render efficient environmental health and disaster management services	SD&E	Job Creation	No. of jobs opportunities created through the EPWP	170	187	17	This is due to resignations and the municipality had to replace those who left	-	128	128	0
TL39	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
TL40	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
TL41	To render efficient environmental health and disaster management	BSD&ID	Oversee Improvement of EH Audit from the National Department of Health	No. of reports on the updated National Department of Health Audit Action Plan	2	2	0	-	-	3	2	(1)

	services											
TL42	To render efficient environmental health and disaster management services	BSD&ID	Support the implementation of the Disaster Management Plan	Attending disaster advisory forums	4	4	0	-	-	4	4	0
TL43	To render efficient environmental health and disaster management services	BSD&ID	Support the implementation of the Disaster Management Plan	Attending disaster educational and awareness campaigns	2	1	(1)	The Disaster Management Awareness Sessions planned for the fourth quarter could not take place due to COVID19 restrictions and the closing of schools	The Disaster Management Awareness Sessions for the new financial year will take place as planned provided the COVID19 restrictions are eased	2	3	1
TL44	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Creation of employee education /awareness of COVID-19 in terms of the	Employee COVID-19 Education/Awareness sessions held	2	2	0	-	-	New KPI	New KPI	New KPI

			DMA,2002									
TL45	Embed good governance through sound administrative practices and improved stakeholder relation	MAGC	Overseeing the functionality of the Risk Management Committee	No. of Risk Management Committee meetings attended	4	1	(3)	Risk Management Committee was not fully functional in the year under review	Management resolved that all Risk management related matters will be dealt with in the Audit and Performance Committee going forth	4	3	(1)

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
	MUNICIPAL MANAGER											
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 anti-corruption awareness	1	1	0	-	-	1	1	0

	e practices and improved stakeholder relations		initiatives	sessions held								
D2	Embed good governance through sound administrativ e practices and improved stakeholder relations	MAGC	Risk Management	Development of the Risk Management Register before 31-Sep- 2020	1	1	0	-	-	1	1	0
D3	Embed good governance through sound administrativ e 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 administrativ e practices and improved	MAGC	Improved audit outcomes	Reduction of audit findings by 80% in the 2020/2021 financial year	80%	45.05	(34.95)	There is a reduction of audit findings though it is not as anticipated(4	An action plan has been developed to address matters raised by the AGSA	80%	152.27	(152.27)

	stakeholder relations							5.05%) : 2018-2019= 111 2019-2020=61				
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	4	0	-	-	4	4	(0)
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 2020	1	1	0	-	-	1	1	0
D7	Embed good governance through sound	MAGC	Compilation of the draft Annual Report	Draft Annual Report approved by Council on or before 31 January	1	1	0	-	-	1	1	0

	administrative practices and improved stakeholder relations			2021								
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 2021	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 2021	1	1	1	-	-	1	1	0
D10	Embed good governance through sound administrative practices	MAGC	Develop IDP / Budget (Time schedule of key deadlines (Process Plan) (MSA 28 /	Approved IDP Framework and Process Plan on or before 31 Aug 2020	1	1	1	-	-	1	1	0

	and improved stakeholder relations		MFMA 21)									
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	3	0
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 2021	1	1	0	-	-	1	1	0

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	FINANCIAL SERVICES											

D13	Embed financial viability and sustainability through good financial management	MFV&M	Production of annual Audit file	No. of Audit files produced by mid-August 2020	1	1	0	-	-	1	1	0
D14	Embed financial viability and sustainability through good financial management	MFV&M	Closing of all municipal financial accounts at the end of each month in terms of sec 65 of the MFMA	No. of monthly reports on the closing of all municipal financial accounts	12	12	0	-	-	12	12	0
D15	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
D16	Embed financial viability and	MFV&M	Financial Viability: Cost coverage	Cost coverage ((Available cash+	>1	0.53%	(0.47%)	The municipality does not have	The municipality does not	>1	0.67%	(0.33%)

	sustainability through good financial management		(Reg 796)	investments)/ Monthly fixed operating expenditure (SA8)				sufficient cash to fund its operational budget	generate its own revenue, it depends on grants			
D17	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	0.10%	0.9%	Insufficient funds to recover debts.	The municipality does not generate its own revenue, it depends on grants	>1	0.04%	(0.96%)
D18	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
D19	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	Monthly reports to management in terms of section 66 of the MFMA	12	12	0	-	-	12	12	0

			basis									
D20	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 2021 to SARS	1	1	0	-	-	1	1	0
D21	Embed financial viability and sustainability through good financial management	MFV&M	Monthly salary reconciliations	No. of reconciliations done	12	12	0	-	-	12	12	0
REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	DIRECTORATE: CORPORATE SERVICES											
D22	Embed good governance through sound administrative practices and improved	MAGC	Draw quarterly resolution execution report for all directorates	No. of execution reports where Council resolutions are captured on every sitting of Council	4	4	0	-	-	4	4	0

	stakeholder relations											
D23	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Public Participation Plan in place	Review the Public participation Plan/Strategy on or before 30 June 2021	1	0	(1)	Communities and stakeholders could not be consulted for the review of Public participation Plan/Strategy to disaster management restrictions on gatherings	Different platforms(inviting comments through the municipal website or notice boards) will be used in future to get inputs from stakeholders	1	0	(1)
D24	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 2021	1	1	0	-	-	1	1	0
D25	To maintain a skilled, capable and diverse workforce in a good working environment	MT&ID	Occupational Health and Safety	Progress reports on the Implementation of the Occupational Health and Safety Action Plan	2	2	0	-	-	2	2	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	Youth Development	Review of the Youth Development Strategy before 30 June 2021	1	0	(1)	Communities and stakeholders could not be consulted for the review of the Youth Development Strategy to disaster management restrictions on gatherings	Different platforms(inviting comments through the municipal website or notice boards) will be used in future to get inputs from stakeholders	1	0	(1)
D28	To provide recreational facilities and opportunities and programmes aimed to facilitate and promote	CD&E	Special programmes	Conduct 1 outreach programme on Woman emancipation before 30 August 2020	1	1	0	-	-	1	1	0

REF	IDP OBJECTIVE	KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET	ACTUAL	VARIANCE	REASON FOR DEVIATION	CORRECTIVE MEASURE	PRIOR TARGET	PRIOR ACTUAL	PRIOR VARIANCE
	community development and social cohesion											
D29	Improve public participation	CD&E	Special programmes	Conduct 1 outreach programme on intergrated services before 30 September 2020	1	1	0	-	-	New KPI	New KPI	New KPI
PLANNING AND SOCIAL DEVELOPMENT												
D30	To render efficient environmental health and disaster management services	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 MM/ Council	4	4	0	-	-	4	4	0
D31	To render efficient environmental	SD&E	Report on the implementation of the EPWP	No. of EPWP steering committee meetings held	4	4	0	-	-	4	4	0

	health and disaster management services			quarterly								
D32	To render efficient environmental health and disaster management services	SD&E	Expenditure of the EPWP Grant	100% Expenditure by end of June 2021	100%	100%	0	-	-	100%	100%	0
D33	To facilitate economic and tourism development to the benefit of the town and all residents	LED	Making tourism awareness to schools and communities	No. of tourism awareness campaigns conducted quarterly	4	4	0	-	-	4	3	(1)
D34	To render efficient environmental health and disaster management services	BSD&ID	Environmental Health services	No. of Health Education programmes/proje cts planned	3	18	15	More Educational programmes were conducted due to COVID-19	-	8	20	12

D35	To render efficient environmental health and disaster management services	BSD&ID	Water quality monitoring	No of quarterly water quality reports submitted to Management	4	4	0	-	-	4	4	0
D36	To render efficient environmental health and disaster management services	BSD&ID	Water quality monitoring	No. of water quality samples collected per local municipality	Mohokare 66	75	9	The positive variances is due to resampling		66	70	4
					Letsemeng 90	108	18			90	73	(17)
					Kopanong 198	226	28			198	201	3
D37	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	1	(3)	Waste water reports could not be compiled as planned due to laboratory results that were withheld by the service provider because of non-payment of outstanding	Timeous payment of the service provider by the municipality in the new financial year	3	3	0

								invoices				
D38	To render efficient environmental health and disaster management services	BSD&ID	Improve service delivery to communities	No. of quarterly waste water samples taken per local municipality	Mohokare 12	12	0	There was no final effluent overflow in two plants of Kopanong local municipality	-	9	6	(3)
					Kopanong 8	6	(2)			6	2	(4)
					Letsemeng 4	4	0			3	2	(1)
D39	To render efficient environmental health and disaster management services	BSD&ID	Environmental Health services	No. of people attending Health Education programmes	125	729	604	More Educational programmes were conducted due to COVID-19	-	500	801	301
D40	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

D41	To render efficient environmental health and disaster management services	BSD&ID	Disaster Management	No. of Disaster Management awareness sessions held in the District	2	1	(1)	The Disaster Management Awareness Sessions planned for the fourth quarter could not take place due to COVID19 restrictions and the closing of schools	The Disaster Management Awareness Sessions for the new financial year will take place as planned provided the COVID19 restrictions are eased	2	3	1

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: 2020-2021			
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	0	0%
Other S57 Managers (Finance posts)	0	0	0%
Managers: Levels 0-3 (excluding Finance Posts)	14	1	7.1%
Senior management: Levels 0-3 (Finance posts)	3	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	0	0%
Highly skilled supervision: levels 9-12 (Finance posts)	17	1	10%
Total	73	2	4.4%

T4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2018/2019	5	6	9.7%
2019/2020	1	3	0.03%
2020/2021	8	5	6.0%

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 Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	47	0	3	4	13,5	110192,57
Skilled (Levels 3-5)	35	0	7	16	14,5	62767,46
Highly skilled production (levels 6-8)	150	0	8	27	46,25	166174,06
Highly skilled supervision (levels 9-12)	37	0	3	22	15,5	213720,44
Senior management (Levels 13-15)	33	0	7	9	12,25	17779,74
MM and S57	6	0	2	4	3	698834,88
Total	**308**	**0**	**30**	**82**	**105**	**1269469.15**

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 2020-2021 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 2020-2021 financial year.			
			T4.3.6

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2020-2021	Number of skilled employees required and actual as at 30 June 2019-2020											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2019-2020	Actual: End of 2020-2021	Target	Actual: End of 2019-2020	Actual: End of 2020-2021	Target	Actual: End of 2019-2020	Actual: End of 2020-2021	Target	Actual: End of 2019-2020	Actual: End of 2020-2021	Target
MM and s57	Female	1	0	0	0	0	0	0	0	0	0	0	0	1
	Male	3	0	2	2	0	0	0	0	0	0	0	0	3
Councillors	Female	8	0	3	3	0	0	0	0	0	0	0	0	8
	Male	15	0	5	5	0	0	0	0	0	0	0	0	15
Technicians and associate professionals*	Female	13	0	0	0	0	0	0	0	0	0	0	0	0
	Male	6	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	7	0	3	3	0	0	0	0	0	0	0	0	13
	Male	1	0	0	1	0	0	0	0	0	0	0	0	4
Sub total	Female	29	0	1	19	0	0	0	0	0	0	0	0	29
	Male	25	0	1	17	0	0	0	0	0	0	0	0	25
Total		54	0	15	50	0	0	0	0	0	0	0	0	98

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

T4.5.1

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	0
Senior managers	3	3	3	3	3	2
Any other financial officials	0	0	0	0	0	0
Supply Chain Management Officials	0	0	0	0	0	0
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	4	4	4	4	4	2

T4.5.2

R'000											
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2020-2021								
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	0	0	0	0	0	0	0	0
	Male	3	R84000	84000	0	0	0	0	0	0
Councillors	Female	4	R42000	R42000	0	0	0	0	0	0
	Male	11	R42000	R42000	0	0	0	0	0	0
Managers	Female	5	R42000	R42000	0	0	0	0	0	0
	Male	10	R168000	R168000	0	0	0	0	0	0
Professionals	Female	15	R168000	R168000	0	0	0	0	0	0
	Male	3	R42000	R42000	0	0	0	0	0	0
Clerks	Female	14	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0
Sub total	Female	3	R84000	84000	0	0	0	0	0	0
	Male	4	R42000	R42000	0	0	0	0	0	0

Total		88	R714 000	R714 000	0	0	0	0	0	0
% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R0
										T4.5.3

Repair and Maintenance Expenditure: 2020-2021				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	695	663	531	132
				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 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 Councilor 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 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2019-2020

Auditor-General Report on Financial Performance 2019-2020	
Audit Report Status*:	**Unqualified Opinion (2019 – 2020)**
Non-Compliance Issues	**Remedial Action Taken**
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 speedily 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	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.
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.

(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 speedily 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 2020/2021	
Status of audit report:	Unqualified
Annual financial statements: Unqualified audit opinion with material misstatements **Predetermined objectives: No material findings**	
Please refer to the report of the Auditor General below for more details	**T6.2.1**

COMPONENT B: AUDITOR-GENERAL OPINION 2020-2021 (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 116 to 173, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget 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 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 10 of 2020 (Dora).

BASIS FOR OPINION

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

7. Note 29 to the financial statements indicates that the municipality had a deficit of R6 209 775 during the year ended 30 June 2021 and, as of that date, the municipality's current liabilities exceeded its current assets by R5 990 763. The cash flow challenges of the municipality resulted in payables not being settled in time. These events or conditions, along with other matters as set forth in note 29, 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

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

IRREGULAR EXPENDITURE

9. As disclosed in note 33 to the financial statements, the municipality incurred irregular expenditure of R3 468 843 (2020: R4 381 556) due to non-compliance with supply chain management (SCM) requirements.

UNAUTHORISED EXPENDITURE

10. As disclosed in note 31 to the financial statements, the municipality incurred unauthorised expenditure of R1 861 390 (2020: R570 013) due to overspending of the budget.

MATERIAL UNCERTAINTY RELATING TO CLAIMS AGAINST THE MUNICIPALITY

11. With reference to note 27 to the financial statements, the municipality is the defendant in various legal claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

RESTATEMENT OF CORRESPONDING FIGURES

12. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

MATERIAL IMPAIRMENT

13. As disclosed in note 4 to the financial statements, trade debtors were impaired by R2 658 406 (2020: R2 084 404).

OTHER MATTER

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

UNAUDITED DISCLOSURE NOTES

15. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

17. 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 THE FINANCIAL STATEMENTS

18. 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.

19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

20. 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 the selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

21. 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.

22. 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 2021:

KPA	Pages in the annual performance report
KPA – basic service delivery and infrastructure development	58-61 71–75

23. 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.

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

OTHER MATTERS

25. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

26. Refer to the annual performance report on pages 46 to 76 for information on the achievement of planned targets for the year.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

27. 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

28. 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.

29. The material findings on compliance with specific matters in key legislation are as follows:

ANNUAL FINANCIAL STATEMENTS

30. 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 current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Chapter 5

EXPENDITURE MANAGEMENT

31. 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 and payment of funds, as required by section 65(2)(a) of the MFMA.

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 697 063 as disclosed in note 33 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the SCM regulations.

33. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 861 390, as disclosed in note 31 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the specific votes in the approved budget.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

34. Amendments to the IDP were made without making the proposed amendments available for public comment, as required by section 34(b) of the Municipal Systems Act 32 of 2000 and municipal planning and performance management regulation 3(4)(b) and 15(1)(a)(ii).

PROCUREMENT AND CONTRACT MANAGEMENT

35. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

CONSEQUENCE MANAGEMENT

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

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

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

OTHER INFORMATION

39. 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.

40. 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.

41. 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.

42. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

43. 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 included in this report.

44. There was a slow response from the leadership to implement and monitor the audit action plan to address the prior year's audit findings and internal control deficiencies, resulting in material misstatements being subsequently corrected by management and repeated non-compliance with relevant laws and regulations reported. There was again a last-minute effort implemented by management during the audit to resolve the internal control deficiencies and material misstatements were corrected towards the end of the audit to avoid audit report matters.

45. The leadership did not take effective steps to ensure that there were consequences for poor performance and transgressions, and council did not ensure that all unauthorised and irregular expenditure incurred was investigated during the financial year.

Chapter 5

Auditor-General

Bloemfontein

30 November 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 KPA 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

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 confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the 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 *"full and regular"* 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 *"what we do"*.
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	• 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

	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:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: *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* *b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance				
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance %
Cllr NS Mqungquthu	FT	Speaker	ANC	100
Cllr MJ Sehanka	FT	Executive Mayor/Executive Committee	ANC	100
Cllr K Moeketsi	FT	Chairperson of Corporate Services Committee	ANC	72
Cllr JK Sebeco	FT	Chairperson of Budget and Treasury Committee	ANC	90
Cllr MK Matlakala	PT	Corporate Services Committee	ANC	81
Cllr MS Mogapi	PT	MPAC Member	ANC	80
Cllr TS Tseoua	PT	Budget and Treasury Committee	EFF	36
Cllr AJJ Van Rensburg	PT	Planning and Social Development Committee	DA	72
Cllr MJ Moitse	PT	Chairperson of MPAC	ANC	90
Cllr MJ Phaliso	PT	Budget and Treasury Committee	ANC	27
Cllr AN November	PT	Planning and Social Development Committee	ANC	90
Cllr TD Mochechepa	FT	Chairperson of Planning and Social Development Committee	ANC	72

CllR TV Nthapo	PT	Corporate Services Committee	DA	63
Cllr Van Wyk	PT	Corporate Services Committee	DA	72
Cllr S Riddle	PT	MPAC Member	DA	81

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

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

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	No	
Continued next page		
Continued from previous page		
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	

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	No	
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

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2020-2021

Municipal Audit Committee Recommendations		
Date of Committee	**Committee recommendations during 2020-2021**	**Recommendations adopted (enter Yes) If not adopted (provide explanation)**
28 August 2020	1. Audit Committee members approved the minutes of the meeting after changes proposed.	**Yes**
	2. The Audit Committee recommended that the two formal assessments for Senior Managers should be conducted in September 2020 and Senior Management should report to the Audit Committee members in the next meeting.	**No – Formal Assessment were conducted in September 2020 for Senior Managers due to the municipality not having an evaluation panel for the assessment of Senior Management.**
	3. 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 October 2020.	**Yes**
	4. Audit Committee members recommend that the Anti-fraud be referred back after engagement on the delegation of Human Resource to conduct investigations. (Subjected to changes) and be reported in the Next Audit Committee meetings	**Yes**
	5. The Audit Committee Members approves the following Strategic Documents - Internal Audit Charter 2020- 2021 - Internal Audit Methodology 2020 – 2021 - Internal Audit Policies for 2020 – 2021 - Quality Assurance and Improvement Programme (QAIP) 2020 – 2021 - Audit Committee Charter for 2020 – 2021 and - Schedule of Audit Committee meetings for 2020-2021financial year.	
21 May 2021	1. The Audit Committee Members resolved that the Declaration of interest forms should be circulated	**Yes**

	with Audit Pack. 2. The Audit Committee resolved that the Resolution register should be recorded accurately and be sent out with the minutes of the meeting. 3. The Audit Committee resolved that FSPT may conduct assessments dates be arranged during the month of June 2021. 4. The Audit Committee Members resolved that Risk Management report to be presented in the next scheduled special audit committee meeting. 5. Audit Committee Members resolved that a special Audit Committee to be convened the on the week ending the 28th May 2021. 6. Audit Committee Chairperson will submit a report on issues that relates to MPAC. 7. The Audit Committee Members approves Three (3) year rolling plan and Annual Internal Audit Plan for 2020 - 2021 to be adjusted as recommended. 8. Audit Committee Members approves Audit Committee schedule for 2020 – 2021 of the meeting to be adjusted as recommended 9. The Audit Committee members noted Section 71 Report and requested that Management to present a report after engagement with COGTA in the next Audit Committee meeting 10. The Audit Committee resolved that the Audit Committee Charter to be presented in the next meeting. 11. The Risk Management Committee and the Audit Committee to be merged.	**Yes**
27 May 2021	1. The Audit Committee Members acknowledges receipts of the declarations of interest forms and will be signed. 2. The Audit Committee Members resolved that Minutes of the Ordinary meeting will be discussed in the ordinary meeting as per Schedule of the Audit Committee Members.	**Yes**

	3. The Audit Committee resolved that the Report on outstanding debtors should be submitted in the Next Audit Committee Meeting. 4. The Audit Committee resolved that the top risks with mitigations / actions taken should be reported to the Audit Committee. 5. The Audit Committee member approves the Three Year Rolling Plan and Annual Internal Audit Plan for 2020 – 2021 as amended. 6. The Audit Committee resolved that the meeting between the Audit Committee and the Manager Internal audit to take place the week of the 2nd of June 2021. 7. The audit Committee Charter to be amended and presented in the meeting with the Manager Internal Audit.		
3 March 2021	1. The Audit Committee noted the Management report from AGSA for 2019- 2021 2. The Audit Committee requested management to draft Audit Action Plan that will be addressing the AGSA Recommendations.	**Yes**	
			T G

APPENDIX H – LONG TERM CONTRACTS

Long Term Contracts (Largest Contracts Entered into 2020-2021					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
LQ Technologies	Internet Service Provision	September 2020	August 2023	Mr Andile Tyhokolo	1,315,887.35
					T H.1

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Service Provider	Project Name	Contract Amount	Project Status	End User Remarks
CCG Systems	Implementation of the integrated financial management systems and internal controls (mSCOA): Municipal Standard Charts of Accounts	5 244 082,00	On-going	Good
Test it Lab	Waste Water and Water Samplings	579 060,08	On-going	Good
Fezi Auditors and Consultants JV Opulentia Financial Service	Insurance of municipal assets	766 213.93	On-going	Good
Khumo Documents t/a Pan Solutions	Supply and Maintenance of telephone systems	483 796.96	On-going	Poor
Mega Works	Supply and Maintenance of printers	409 450.00	On-going	Acceptable
Dipabala Consulting Engineers	Implementation of the Rural roads asset management system	6,680,614.50	On-going	Good
LQ Technologies	Internet Service Provision	1,315,887.35	On-going	Good

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2020-2021 (Current Year)		
Position	**Name**	**Description of Financial interests* (Nil / Or details)**
(Executive) Mayor	Cllr MJ Sehanka	Remuneration of the sitting of SALGA meetings
Member of MayCo / Exco		
	K.Moeketsi	Nil
	Cllr MK Matlakala	Nil
	JK Sebeco	Nil
	TD Mochechepa	Shares and Securities in a company Member of a close corporation Other financial interest in business undertaking
	NS Mqungquthu	Nil
Councillor	M Mogapi	Nil
	JM Moitse	Pension(Private)
	N November	Nil
	J Phaliso	PTY LTD, Shareholder, member of board of directors
	MK Matlakala	Nil
	S Tseuoa	Pension GERP 6000
	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
	Van Wyk	Nil
	TV Nthapo	Nil
	J. Riddle	Shares and securities: Nicks place :R 1 500 000.00 Interest in Trust: Duma Family Trust R 4000 000.00 Employment and Remuneration R 250 000 Interest in property: Erf 337 Smithfield: R1 500 000.00 Old mutual: R1000 000.00

APPENDICES

Municipal Manager	LY Moletsane	GEPF(pension fund) R3 995.32
Chief Financial Officer	PV Litabe	Share Holder: Calaria(PTY)Ltd (50%) Diabo Accountants & Consulting (80%)
Director: Corporate Services	ZQ Majenge	Director: Nceda Dispute Resolution
Director: Planning and Social Development	MS Mohale	None
** Financial intersests to be disclosed even if they incurred for only part of the year. See MBRR SA34A*		
T J		

APPENDICES

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
						R '000
Description	2019-2020	2020-2021			2020-2021 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Agency services Transfers recognised - operational Other revenue	65 777 104	66.302 774	68.101 727	61 352 81	5 693	7 646
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

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	

** 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.*

T T

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Xhariep District Municipality

(Demarcation,Code DC16)
Annual Financial Statements
for the Year Ended 30 June 2021

Index

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

COIDA	Compensation for Occupational Injuries and Diseases Act
EPWP	Expanded Public Works Program
DBSA	Development Bank of South Africa
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RRAMS	Rural Roads Asset Management Grant
FMG	Financial Management Grant

General Information

Legal form of entity	South African Category C Municipality as defined by the Muncipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Xhariep District Municipality is a district municipality performing the function as set out in the constitution(Act no 105 of 1996). Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.
Mayoral committee	
Executive Mayor	Cllr Sehanka MJ
MMC: Finance	Cllr JK Sebeco
MMC: Corporate Services	Cllr Moeketsi K
MMC: Planning and Social Development	Cllr Mochechepa TD
Speaker	Cllr Mqungquthu NS
Councillors	Cllr Mogapi ML Cllr Ntwanambi MG Cllr Tseuoa TS Cllr Phaliso MJ Cllr Moitse J Cllr November AN Cllr Riddle IS Cllr Van Wyk RW Cllr Nthapo TV Cllr Van Rensburg AJJ Cllr Matlakala MK
Grading of local authority	3
Accounting Officer	Moletsane LY
Chief Finance Officer (CFO)	Litabe PV
Registered office	20 Louw Street Trompsburg 9913
Business address	20 Louw Street Trompsburg 9913
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa
Fax	051 713 0461
Website address	www.xhariep.fs.gov.za

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 2022 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 Division of Revenue Act and Free State Provincial Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Xhariep District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The annual financial statements set out on pages 4 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Ms. Moletsane LY
Municipal Manager

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2021.

1. Incorporation

The municipality was incorporated on 06 December 2001 and obtained its certificate to commence business on the same day.

2. 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.

3. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2 939 877 and that the municipality's total assets exceed its liabilities by R 2 939 877.

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.

4. Subsequent events

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

5. Accounting policies

The Financial Statement prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statement issued by the Accounting Practices Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name	Nationality
Ms. Moletsane LY	South Africa

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	22 438	38 986
VAT receivable	5	3 254 114	2 809 227
Trade and Other receivables	4	4 638 944	3 935 866
Cash and cash equivalents	2	7 329 517	10 676 611
		15 245 013	**17 460 690**
Non-Current Assets			
Property, plant and equipment	6	10 399 189	11 542 822
Intangible assets	7	816 390	1 021 107
		11 215 579	**12 563 929**
Total Assets		**26 460 592**	**30 024 619**
Liabilities			
Current Liabilities			
Finance lease obligation	10	104 910	232 688
Payables from exchange transactions	9	20 758 882	18 224 154
Employee benefit obligation	8	371 984	157 111
Unspent conditional grants and receipts	11	-	236 689
		21 235 776	**18 850 642**
Non-Current Liabilities			
Finance lease obligation	10	-	104 910
Employee benefit obligation	8	2 284 939	1 919 418
		2 284 939	**2 024 328**
Total Liabilities		**23 520 715**	**20 874 970**
Net Assets		**2 939 877**	**9 149 649**
Accumulated surplus		2 939 877	9 149 649

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
REVENUE			
Revenue from exchange transactions			
Rental of facilities	23	564 816	543 267
Interest received (debtors)		304 986	290 931
Other income	13	81 410	661 514
Interest received (bank/ investments)		651 803	650 100
Actuarial gains		-	189 084
Total revenue from exchange transactions		**1 603 015**	**2 334 896**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	61 294 000	64 739 000
Finance Assistance		-	796 164
LG SETA Income		57 976	92 723
Total revenue from non-exchange transactions		**61 351 976**	**65 627 887**
Total revenue	12	**62 954 991**	**67 962 783**
EXPENDITURE			
Employee related costs	15	(46 711 005)	(44 063 039)
Remuneration of councillors	16	(4 746 372)	(4 709 487)
Depreciation and amortisation	17	(1 959 745)	(2 095 288)
Impairment of assets	18	-	(14 050)
Finance costs	19	(167 245)	(426 919)
Debt Impairment & bad debts written off	20	(573 602)	(778 755)
Contracted services	21	(3 590 154)	(2 839 897)
Actuarial losses		(246 681)	-
General Expenses	22	(11 169 962)	(12 901 367)
Total expenditure		**(69 164 766)**	**(67 828 802)**
(Deficit) surplus for the year		**(6 209 775)**	**133 981**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	9 096 362	9 096 362
Adjustments		
Correction of errors	(80 696)	(80 696)
Balance at 01 July 2019 as restated*	**9 015 668**	**9 015 668**
Changes in net assets		
Surplus for the year	133 981	133 981
Total changes	133 981	133 981
Opening balance as previously reported	9 359 244	9 359 244
Adjustments		
Prior year adjustments	(209 592)	(209 592)
Restated* Balance at 01 July 2020 as restated*	**9 149 652**	**9 149 652**
Changes in net assets		
Surplus for the year	(6 209 775)	(6 209 775)
Total changes	(6 209 775)	(6 209 775)
Balance at 30 June 2021	**2 939 877**	**2 939 877**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		20 042	902 837
Grants		61 145 000	64 888 000
Interest income		651 803	650 100
Other receipts - LG Seta		57 976	92 723
		61 874 821	66 533 660
Payments			
Employee costs		(51 974 944)	(48 772 525)
Suppliers		(12 235 647)	(12 480 679)
Finance costs		(141 020)	(376 044)
		(64 351 611)	(61 629 248)
Net cash flows from operating activities	25	**(2 476 790)**	**4 904 412**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(407 916)	(318 483)
Purchase of other intangible assets	7	(203 478)	(1 021 107)
Net cash flows from investing activities		**(611 394)**	**(1 339 590)**
Cash flows from financing activities			
Finance lease payments		(258 913)	(258 913)
Net increase/(decrease) in cash and cash equivalents		**(3 347 097)**	**3 305 909**
Cash and cash equivalents at the beginning of the year		10 676 611	7 370 702
Cash and cash equivalents at the end of the year	2	**7 329 514**	**10 676 611**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	649 183	-	**649 183**	564 816	**(84 367)**	Note 41
Interest received (trading)	-	-	**-**	304 986	**304 986**	Note 41
Other income	94 500	(36 500)	**58 000**	81 410	**23 410**	Note 41
Interest received - investment	871 304	(11 304)	**860 000**	651 803	**(208 197)**	Note 41
Total revenue from exchange transactions	**1 614 987**	**(47 804)**	**1 567 183**	**1 603 015**	**35 832**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	66 204 000	1 799 000	**68 003 000**	61 294 000	**(6 709 000)**	Note 41
Financial Assistance	30 000	(10 000)	**20 000**	-	**(20 000)**	Note 41
LG SETA Income	98 000	-	**98 000**	57 976	**(40 024)**	Note 41
Total revenue from non-exchange transactions	**66 332 000**	**1 789 000**	**68 121 000**	**61 351 976**	**(6 769 024)**	
Total revenue	**67 946 987**	**1 741 196**	**69 688 183**	**62 954 991**	**(6 733 192)**	
Expenditure						
Employee Related Costs	(43 820 313)	(1 138 183)	**(44 958 496)**	(46 711 005)	**(1 752 509)**	Note 41
Remuneration of councillors	(4 763 415)	(193 000)	**(4 956 415)**	(4 746 372)	**210 043**	Note 41
Depreciation and amortisation	(1 660 850)	(150 000)	**(1 810 850)**	(1 959 745)	**(148 895)**	Note 41
Finance costs	(290 000)	-	**(290 000)**	(167 245)	**122 755**	Note 41
Debt Impairment	(491 000)	-	**(491 000)**	(573 602)	**(82 602)**	Note 41
Contracted Services	(5 117 000)	180 000	**(4 937 000)**	(3 590 154)	**1 346 846**	Note 41
General Expenses	(11 399 637)	(53 376)	**(11 453 013)**	(11 169 962)	**283 051**	Note 41
Total expenditure	**(67 542 215)**	**(1 354 559)**	**(68 896 774)**	**(68 918 085)**	**(21 311)**	
Operating deficit	**404 772**	**386 637**	**791 409**	**(5 963 094)**	**(6 754 503)**	
Actuarial gains/losses	-	-	**-**	(246 681)	**(246 681)**	Note 41
Deficit before taxation	**404 772**	**386 637**	**791 409**	**(6 209 775)**	**(7 001 184)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**404 772**	**386 637**	**791 409**	**(6 209 775)**	**(7 001 184)**	

Xhariep District Municipality

(Registration number DC16)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	22 438	**22 438**	Note 41
VAT receivable	-	-	-	8 162 102	**8 162 102**	Note 41
Receivable from exchange transactions	-	3 935 866	**3 935 866**	4 638 944	**703 078**	Note 41
Cash and cash equivalents	-	13 104 130	**13 104 130**	7 329 517	**(5 774 613)**	Note 41
	-	**17 039 996**	**17 039 996**	**20 153 001**	**3 113 005**	
Non-Current Assets						
Property, plant and equipment	404 771	11 466 051	**11 870 822**	10 399 189	**(1 471 633)**	Note 41
Intangible assets	-	1 021 107	**1 021 107**	816 390	**(204 717)**	Note 41
	404 771	**12 487 158**	**12 891 929**	**11 215 579**	**(1 676 350)**	
Total Assets	**404 771**	**29 527 154**	**29 931 925**	**31 368 580**	**1 436 655**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	104 910	**104 910**	Note 41
Payables from exchange transactions	-	262 712 751	**262 712 751**	20 758 882	**(241 953 869)**	Note 41
VAT payable	-	-	-	4 907 988	**4 907 988**	Note 41
Employee benefit obligation	-	-	-	371 984	**371 984**	Note 41
	-	**262 712 751**	**262 712 751**	**26 143 764**	**(236 568 987)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	2 284 939	**2 284 939**	Note 41
Total Liabilities	**-**	**262 712 751**	**262 712 751**	**28 428 703**	**(234 284 048)**	
Net Assets	**404 771**	**(233 185 597)**	**(232 780 826)**	**2 939 877**	**235 720 703**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	404 771	9 588 956	**9 993 727**	2 939 877	**(7 053 850)**	

Accounting Policies

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:

Trade receivables / Held to maturity investments and 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, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, 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.

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.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

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.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meets 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.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent to initial recognition, item of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, It derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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

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

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

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

Item	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
Computer equipment	Straight line	3-10
Finance lease assets	Straight line	The shorter of asset's useful life or the lease term

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

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

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

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

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

The gain or loss arising from 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

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

Accounting Policies

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 either:
- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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

1.7 Financial instruments

Classification

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:

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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.

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

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

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

Fair value measurement considerations

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

Gains and losses

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

- A gain or loss on a financial asset or financial liability classified as a fair value through surplus or deficit is recognised in surplus or deficit
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net asset, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net asset is recognised in surplus or deficit: and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liabilities is derecognised or impaired, and through the amortisation process

Impairment of financial assets

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

Impairment losses are recognised as surplus or deficit.

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

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

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

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

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Accounting Policies

1.7 Financial instruments (continued)

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.

Investment

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.

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.

Accounting Policies

1.8 Leases (continued)

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.

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.Operating lease payment are recognised as an expenses on a straignt-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.

1.9 Inventories (continued)

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 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Liabilities for short-term employee benefits that are unpaid at year end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

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 ae 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.

Accounting Policies

1.10 Employee benefits (continued)

Defined benefit plans

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.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Accounting Policies

1.11 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an municipality:
- 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 27.

1.12 Commitments

Items are classified as commitments when an municipality 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

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.

1.13 Revenue from exchange transactions (continued)

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 municipality 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 surplus or deficit, using the effective interest rate method.

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

1.14 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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

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.

1.15 Investment income

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

1.16 Borrowing costs

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

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

Accounting Policies

1.17 Comparative figures

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

1.18 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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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.

1.21 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);

Accounting Policies

1.21 Segment information (continued)

- 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.

1.22 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 2020/07/01 to 2021/06/30.

The budget for the economic municipality 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.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 38.

Comparative information is not required.

1.23 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting municipality 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 municipality, 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 considered to be those family members who may be expected to influence, or be influenced by, that management 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

Accounting Policies

1.23 Related parties (continued)

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 municipality or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting municipality'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 municipality's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 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.

1.25 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.

1.26 Going concern

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	84	363
Bank balances	1 105 957	938 095
Short-term deposits	6 223 476	9 738 153
	7 329 517	**10 676 611**

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 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA - Cheque Account - 4053628182	1 105 956	938 095	194 803	1 105 956	938 095	194 803
ABSA - Call Account - 9309672913	1 444 058	2 133 090	7 088 318	1 444 058	2 133 090	7 088 318
ABSA - Invest Tracker - 9358190966	4 683 367	7 512 160	-	4 683 367	7 512 160	-
Nedbank - Call Deposit - 03/7662022528/000016	96 051	92 903	87 581	96 051	92 903	87 581
Total	**7 329 432**	**10 676 248**	**7 370 702**	**7 329 432**	**10 676 248**	**7 370 702**

3. Inventories

	2021	2020
Stationery & Consumables	1 193	19 591
Cleaning Materials	21 245	19 395
	22 438	**38 986**

Inventory pledged as security

None of the inventory has been pledged as security.

4. Receivable from exchange transactions

	2021	2020
Gross balances		
Trade Debtors	7 041 701	5 944 806
Prepaid expenses	59 316	10 669
Other debtors	196 333	65 195
	7 297 350	**6 020 670**
Less: Allowance for impairment		
Trade Debtors	(2 658 406)	(2 084 804)
Net balance		
Trade Debtors	4 383 295	3 860 002
Prepaid expenses	59 316	10 669
Other debtors	196 333	65 195
	4 638 944	**3 935 866**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivable from exchange transactions (continued)

Trade Debtors Ageing	399 968	2 678 784
Current (0 -30 days)	67 639	51 536
31 - 60 days	-	-
61 - 90 days	68 308	77 833
91 - 120 days	562 447	565 717
121 - 365 days	5 943 339	2 570 936
> 365 days		
	7 041 701	**5 944 806**

Summary of debtors by customer classification

Other Trade Debtors	-	-
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	300	-
91 - 120 days	-	-
121 - 365 days	296 344	296 344
> 365 days		
	296 644	296 344
Less: Allowance for impairment	(49 560)	(25 091)
	247 084	**271 253**

National and provincial government	399 968	2 678 784
Current (0 -30 days)	67 638	-
31 - 60 days	-	51 536
61 - 90 days	68 008	77 833
91 - 120 days	562 447	565 717
121 - 365 days	5 646 995	2 274 591
> 365 days		
	6 745 056	5 648 461
Less: Allowance for impairment	(2 608 846)	(2 059 712)
	4 136 210	**3 588 749**

Total	399 968	2 678 784
Current (0 -30 days)	67 639	-
31 - 60 days	-	51 536
61 - 90 days	68 308	77 833
91 - 120 days	562 447	565 717
121 - 365 days	5 943 339	2 570 936
> 365 days		
	7 041 701	5 944 806
Less: Allowance for impairment	(2 658 406)	(2 084 804)
	4 383 295	**3 860 002**

Total debtor past due but not impaired	16 248	-
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	300	-
91 - 120 days	-	-
121 - 365 days	78 190	78 190
> 365 days		
	94 738	**78 190**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivable from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(2 084 804)	(1 588 212)
Contributions to allowance	(573 602)	(496 592)
	(2 658 406)	**(2 084 804)**

Trade debtors pledged as security

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

5. VAT receivable

VAT	3 254 114	2 809 227

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16 788 895	(8 697 399)	8 091 496	16 775 895	(8 138 202)	8 637 693
Plant and machinery	2 732 528	(2 558 335)	174 193	2 732 528	(2 306 400)	426 128
Furniture and Office Equipment	6 230 057	(5 551 663)	678 394	6 220 358	(5 318 132)	902 226
Motor vehicles	2 033 729	(1 363 410)	670 319	2 033 729	(1 093 676)	940 053
IT equipment	2 754 861	(1 970 074)	784 787	2 369 644	(1 732 922)	636 722
Total	**30 540 070**	**(20 140 881)**	**10 399 189**	**30 132 154**	**(18 589 332)**	**11 542 822**

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**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	9 169 899	26 990	(559 196)	-	8 637 693
Plant and machinery	699 920	-	(273 792)	-	426 128
Furniture and Office Equipment	1 171 543	70 501	(326 668)	(13 150)	902 226
Motor vehicles	1 230 586	-	(290 533)	-	940 053
IT equipment	656 970	220 992	(240 340)	(900)	636 722
	12 928 918	**318 483**	**(1 690 529)**	**(14 050)**	**11 542 822**

Pledged as security

There are no assets pledged as security:

Assets subject to finance lease (Net carrying amount)

Telephone and Printing Machinery	128 564	437 117

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	378 750	530 616

Change in estimate

Aggregate of items valued using deemed cost	58 972	252 298

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Property, plant and equipment (continued)

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.

Notes to the Annual Financial Statements

Figures in Rand

7. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	2 437 062	(1 620 672)	816 390	2 233 584	(1 212 477)	1 021 107

Reconciliation of intangible assets - 2021

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

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	404 759	1 021 107	(404 759)	1 021 107

Pledged as security

None of the of intangible assets are pledged as security:

Other information

The additions in the current year is mainly from the new Sage mSCOA financial system which the contract was awarded in the prior year after the expiry of the old contract.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. 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 2021.

The current service cost for the year is estimated to be R 242 128.00 (30 June 2020: R 290 336) whereas the interest cost for the ensuring year is estimated to be R 187328 (30 June 2020: R 180 836).

Reconciliation of unfunded obligation

	2021	2020
Carrying value		
Present value of unfunded obligation at the beginning of the year	2 076 529	2 032 276
Current service costs	242 128	290 336
Long service awards paid	(95 743)	(237 836)
Interest costs	187 328	180 836
Actuarial gains	246 681	(189 083)
	2 656 923	**2 076 529**

	2021	2020
Non-current liabilities	(2 284 939)	(1 919 418)
Current liabilities	(371 984)	(157 111)
	(2 656 923)	**(2 076 529)**

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

	2021	2020
Current service cost	242 128	290 336
Interest cost	187 328	180 836
Actuarial (gains) losses	246 681	(189 084)
Benefits paid	(95 743)	(237 836)
	580 394	**44 252**

Figures in Rand	2021	2020

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount Rates used	8,81 %	8,72 %
Future Inflation	5,57 %	4,10 %
Salary Inflation	6,57 %	5,10 %
Net Effective Discount Rate	2,11 %	3,45 %

Discount Rate

The discount rate reflects the estimated timing of benefit payments

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.

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.

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. The "gap" is referred to as the next discount rate. The net discount rate is 2.11% per annum (derived from a discount rate of 8.81% and the expected salary inflation rate of 6.57%).

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)	2 297 231	3 125 541
Effect on defined benefit obligation (Salary Inflation)	3 108 529	2 295 831

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Payables from exchange transactions

Trade payables	8 975 628	8 638 155
COIDA	2 772 888	2 293 114
Auditor General South Africa	1 428 515	1 048 189
Sundry Creditors	852 601	772 059
Bonus Accrual	1 058 809	1 005 528
Leave pay Accrual	4 982 076	3 801 856
Third party payables	688 365	665 253
	20 758 882	**18 224 154**

10. Finance lease obligation

Minimum lease payments due		
- within one year	107 878	258 911
- in second to fifth year inclusive	-	107 880
- later than five years	-	-
	107 878	366 791
less: future finance charges	(2 968)	(29 193)
Present value of minimum lease payments	**104 910**	**337 598**

Present value of minimum lease payments due		
- within one year	104 910	232 686
- in second to fifth year inclusive	-	104 912
- later than five years	-	-
	104 910	**337 598**

Non-current liabilities	-	104 910
Current liabilities	104 910	232 688
	104 910	**337 598**

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%

Interest rates are linked to prime plus 2 at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Motheo and Thetha Grant	-	236 689

Movement during the year

Balance at the beginning of the year	236 689	87 689
Additions during the year	4 706 000	5 346 000
Income recognised during the year and transfer to Sundry Creditors	(4 942 689)	(5 197 000)
	-	**236 689**

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 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Revenue

Rental of facilities and equipment	564 816	543 267
Interest received	304 986	290 931
Actuarial gains/ (losses)	-	189 084
Other income	81 410	661 514
Interest received - investment	651 803	650 100
Government grants & subsidies	61 294 000	64 739 000
Public contributions and donations	-	796 164
LGSETA	57 976	92 723
	62 954 991	**67 962 783**

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

Rental of facilities and equipment	564 816	543 267
Interest received	304 986	290 931
Actuarial gains/ (losses)	-	189 084
Other income	81 410	661 514
Interest received	651 803	650 100
	1 603 015	**2 334 896**

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

Transfer revenue		
Government grants & subsidies	61 294 000	64 739 000
Financial Assistance inkind (Provincial Treasury)	-	796 164
LG SETA Income	57 976	92 723
	61 351 976	**65 627 887**

13. Other income

Bylaw certificates Income	17 730	41 755
Parking fee income	62 289	57 365
Tender documents	1 391	16 852
Creditors write off	-	545 542
	81 410	**661 514**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Government grants and subsidies

Operating grants		
Equitable share	47 183 000	43 542 000
Provincial Financial Assistance Grant	9 256 000	16 000 000
Expanded Public Works Programme	1 039 000	1 136 000
Rural Roads Asset Management Systems	2 167 000	2 276 000
Financial Management Grant	1 500 000	1 785 000
Disaster Management - COVID	149 000	-
	61 294 000	**64 739 000**

Equitable Share

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

Financial Management Grant

Current-year receipts	1 500 000	1 785 000
Conditions met - transferred to revenue	(1 500 000)	(1 785 000)
	-	-

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	1 039 000	1 136 000
Conditions met - transferred to revenue	(1 039 000)	(1 136 000)
	-	-

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

Rural Road Asset Management

Current-year receipts	2 167 000	2 276 000
Conditions met - transferred to revenue	(2 167 000)	(2 276 000)
	-	-

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

Provincial Financial Assistance Grant

Current-year receipts	9 256 000	16 000 000

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	149 000	-
Current-year receipts	-	149 000
Conditions met - transferred to revenue	(149 000)	-
	-	**149 000**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee related costs (continued)

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

Annual Remuneration (Salary)	1 148 399	1 156 034
Travel Allowance	110 911	110 911
Annual Bonus - Remuneration structured	91 528	89 602
Contributions to UIF, Medical and Pension Funds	58 310	55 940
	1 409 148	**1 412 487**

16. Remuneration of councillors

Executive Mayor	914 318	914 322
Speaker	740 426	740 425
Mayoral Committee Members	1 506 334	1 506 364
Councillors	1 585 295	1 548 376
	4 746 373	**4 709 487**

17. Depreciation and amortisation

Property, plant and equipment	1 551 550	1 690 529
Intangible assets	408 195	404 759
	1 959 745	**2 095 288**

18. Impairment of assets

Impairments		
Property, plant and equipment	-	14 050

19. Finance costs

Interest charges	166 278	412 944
Bank	967	13 975
	167 245	**426 919**

20. Debt impairment and bad debts written off

Debt impairment	573 602	496 592
Bad debts write off	-	282 163
	573 602	**778 755**

21. Contracted services

Presented previously		
Specialist Services - RRAMS, IT Services	2 429 821	2 249 593
Other Contractors - Mscoa, Water Testing	1 160 333	590 304
	3 590 154	**2 839 897**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. General expenses

Auditors remuneration	2 779 768	2 845 944
Bank charges	40 562	84 111
Consulting and professional fees	1 101 004	2 463 577
Consumables	49 033	26 695
Entertainment	43 749	43 479
Fines and penalties	46 742	500
Insurance	700 194	666 273
Conferences and seminars	5 042	11 875
Motor vehicle expenses	3 203	1 518
Fuel and oil	239 061	294 928
Postage and courier	2 067	1 997
Printing and stationery	101 954	220 390
Protective clothing	20 840	45 418
Repairs and maintenance	378 750	530 616
Software expenses - licenses	618 283	805 868
Subscriptions and membership fees	99 057	132 950
Telephone, Data and fax	560 995	498 058
Training	52 000	-
Travel - local	502 093	1 173 588
Utilities - Other	895 754	1 406 974
Accommodation	83 862	286 409
Disaster Management and Health and Hygiene	256 332	173 876
Settlement costs	874 375	-
Skills Development Training	468 984	31 187
SALGA	593 869	552 535
COIDA	447 808	191 502
Other expenses	204 581	411 099
	11 169 962	**12 901 367**

23. Rental of facilities and equipment

Premises		
Rental income	564 816	543 267
	564 816	**543 267**

The municipality lease part of the municipality building to Kopanong Local Municipality and Free State Liquor and Gambling Board. The operating lease rentals are recognised as an income in the statement of financial performance on a straight line basis over the term of the lease agreement.

24. Auditors' remuneration

Fees	2 779 768	2 845 944

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Cash (used in) generated from operations

	2021	2020
(Deficit) surplus	(6 209 775)	133 981
Adjustments for:		
Depreciation and amortisation	1 959 745	2 095 288
Finance costs	26 224	50 876
Impairment loss	-	14 050
Debt impairment & bad debts write off	573 602	778 755
Movements in retirement benefit assets and liabilities	580 394	44 253
Changes in working capital:		
Inventories	16 548	(9 991)
Receivables	(1 276 680)	(2 778 813)
Payables from exchange transactions	2 534 728	5 763 585
VAT	(444 887)	(625 155)
Unspent conditional grants and receipts	(236 689)	(562 417)
	(2 476 790)	**4 904 412**

26. In-kind donations and assistance

	2021	2020
Provincial Treasury contributions and public donations	-	796 164

The financial assistance is from the Free State Provincial Treasury with regard to the paying of audit fees directly to Auditor General on behalf of the municipality. No donation was received in the current year

27. Contingencies

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.

30 June 2020

Free State Travel CC / Xhariep District Municipality relates to a claim against the municipality whereby Free Stated Travel CC claiming for services rendered however the municipality did not pay for the services rendered. Should the action be successful the municipality will be liable to cover litigation cost to the approximate value of R 60 000.

Lehlohonolo May / Xhariep District Municipality relates to a debt by the municipality wherein Mr May claims loss of income due to unfair dismissal in terms of Basic Conditions of Employment Act. Should the action be successful the municipality will have to cover litigation costs to the approximate value R 1 509 806.75.

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 costs to the approximate value of R 181 621.41.

Contingent assets

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Related parties

Relationships	
Accounting officer	Refer to Accounting officer's report note
Compensation to Councillors and key management	Refer to employee related cost and remuneration of councillors note 15 & 16

Remuneration of Council

Notes to the Annual Financial Statements

Figures in Rand

28. Related parties (continued)

Management class: Councillors

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
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**

2020

Name	Basic salary	Medical Aid	Pension	Travel allowances	Telephone allowance	Other benefits received	Total
Executive Mayor	754 803	106 056	-	-	44 000	9 063	914 322
Speaker	688 688	-	-	-	44 400	7 337	740 425
Mayoral committee members	1 360 755	-	-	66 000	64 800	14 808	1 506 363
Councillors	1 162 184	-	77 499	-	294 784	13 909	1 548 377
	3 966 430	**106 056**	**77 499**	**66 000**	**447 984**	**45 117**	**4 709 487**

29. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2 939 877 and that the municipality's total assets exceed its total liabilities by R 2 939 877.

The municipality notes that the current liabilities as at 30 June 2021 (R 21 235 776) exceeds the current assets (R 15 245 013) by R 5 990 763. 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. The excess is mainly from the leave accrual which increased in the current year due to the employees not able to take annual leave during the state of disaster. 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 2021 amounting to R 6 209 775 and as compared to the previous financial year surplus of R 133 981 (2019/20).

The impact of COVID pandemic
The municipality assessed the impact of COVID 19 on the Municipality's going concern assessment.

The municipality adhered to the rules of working from home approach as gazetted in the Disaster Management Act, 2002: Amendment of Regulations issued in terms of Section 27(2) for non-essential service workers and this reduced the level of municipal operations. Municipal operations continued during the state of disaster with reduced staff members at the municipal offices so as to comply with the Disaster Management regulations.

The nature of business and services offered by the municipality were not significantly impacted by the pandemic based on the services offered such as Environmental and Health assessments and licenses, EPWP programs, Rural Road Asset Management Systems, support to local municipalities.

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 2021/2022 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 3% and Grant accounts for 97% 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 government.

The ability of the municipality to continue as a going concern is dependent on the fact that the majority 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. Also 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 net loss of R 5 852 967 during the year ended 30 June 2021 and, as of that date, the municipality's current liabilities exceeded its current assets by R 5 633 955. The municipality is unable to pay its creditors' accounts when they fall due, as it takes the municipality more than 100 days to settle creditors. 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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Events after the reporting date

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

The impact of COVID pandemic has been considered and no changes have been noted to the municipality's operations.

31. Unauthorised expenditure

Opening balance as previously reported	30 772 123	30 316 719
Correction of prior period error	114 609	-
Opening balance as restated	**30 886 732**	**30 316 719**
Add: Expenditure identified - current	1 861 390	570 013
Less: Approved/condoned/authorised by council	(8 006 669)	-
Closing balance	**24 741 453**	**30 886 732**

Council approved a write for unauthorized expenditure for the period 2017/2018 (R1 830 760) and 2018/2019 (R 6 175 909) in the current year.

32. Fruitless and wasteful expenditure

Opening balance as previously reported	3 047 290	2 858 497
Opening balance as restated	**3 047 290**	**2 858 497**
Add: Expenditure identified - current	66 057	188 793
Add: Expenditure identified - prior period	8 756	-
Less: Amounts recoverable/ reversed - prior period	(90 536)	-
Less: Amount written off - prior period	(1 095 794)	-
Closing balance	**1 935 773**	**3 047 290**

The amount recoverable or reversed in the current year relates to the reversal/ credit notes from the AG on interest charged in the prior year (R90 536).

Council approved a write for fruitless and wasteful expenditure for the period 2017/2018 (R 753 986) and 2018/2019 (R 341 809) in the current year.

Notes to the Annual Financial Statements

Figures in Rand

32. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	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	74 813	181 288
Accommodation and flight bookings cancellations	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	-	7 005
Compliance related fines - Motor vehicle	The fruitless and wasteful expenditure was identified in the current year and is still under investigation	-	500
		74 813	**188 793**

33. Irregular expenditure

Opening Balance as previously reported	44 134 137	39 752 581
Opening balance as restated	**44 134 137**	**39 752 581**
Add: Irregular Expenditure - current	3 697 063	4 381 556
Closing balance	**47 831 200**	**44 134 137**

Notes to the Annual Financial Statements

Figures in Rand

33. Irregular expenditure (continued)

Incidents/cases identified 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	1 817 407	2 478 634
Insufficient quotations obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	163 703	186 969
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	1 715 953	1 715 953
		3 697 063	**4 381 556**

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

Appointment of supplier for Rural Roads Asset Management System	1 909 494	-

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.

Notes

The irregular expenditure is disclosed exclusive of value added tax (VAT).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. 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/she 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 847 187 - 30 June 2021 (30 June 2020: R 615 730).

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management policy.

Reasons for deviations	**Rand value**		**No of instances**
Emergency	R	183 393	2
Sole supplier	R	155 470	5
Specifications difficult to compile	R	0	0
Acquisition of animals for zoo	R	0	0
Impractical or impossible	R	508 323	28

35. Risk management

Liquidity risk

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

Credit risk

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

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

Financial instrument	**2021**	**2020**
Nedbank: Call Deposit	96 051	92 903
ABSA: Cheque Account	1 105 956	938 095
Receivable from exchange transaction	4 638 944	3 935 866
ABSA: Call (Investment)	1 444 058	2 133 090
ABSA: Deposit Plus (Investment)	4 683 367	7 512 160

Market risk

Interest rate risk

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4 638 944	4 638 944
Cash and cash equivalents	7 329 517	7 329 517
VAT receivable	3 254 114	3 254 114
	15 222 575	**15 222 575**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 758 882	20 758 882
Taxes and transfers payable (non-exchange) - Unspent Grant liability	-	-
Finance lease liability	104 910	104 910
	20 863 792	**20 863 792**

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 935 866	3 935 866
Cash and cash equivalents	10 676 611	10 676 611
Vat receivable	2 809 227	2 809 227
	17 421 704	**17 421 704**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18 224 154	18 224 154
Taxes and transfers payable (non-exchange) -Unspent Grant liability	236 689	236 689
Finance lease liability	337 598	337 598
	18 798 441	**18 798 441**

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income	956 789	956 789
Interest expense	167 245	167 245
	1 124 034	**1 124 034**

Figures in Rand	2021	2020

36. Financial instruments disclosure (continued)

2020

	At amortised cost	Total
Interest income	941 031	941 031
Interest expense	(426 919)	(426 919)
	514 112	**514 112**

37. 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 year adjustment relates to:
1. Correction of Unspent Grant relating to Motheo to the Sundry Creditors under Payables.
2. Expenditure invoices relating to the prior year which were not recorded. The effect of the adjustment is detailed below:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Trade and other payables		17 273 016	951 138	18 224 154
Vat receivables		2 779 101	30 126	2 809 227
Unspent conditional grants and receipts		948 108	(711 419)	236 689
Accumulated Surplus		9 359 242	(209 592)	9 149 649

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Contracted services		2 710 998	128 899	2 839 897

Errors

The following prior period errors adjustments occurred:

Unauthorised expenditure

Opening balance	30 772 123	-
Adjustments made	114 609	-
Restated opening balance	**30 886 732**	-

Adjustment made to opening balance of unauthorised expenditure is due to the overspending on the capital expenditure budget mainly on the purchase of computer equipment. The amount was not included in the total unauthorised expenditure disclosed in the prior year.

38. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net (deficit) surplus per the statement of financial performance	(6 209 775)	133 981

Notes to the Annual Financial Statements

39. New standards and interpretations

39.1 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:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

39.2 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	01 April 2021	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGBC)

	2021	2020
Current year subscription / fee	18 542	16 432
Amount paid - current year	(18 542)	(16 432)
	-	-

VAT

	2021	2020
Opening balance	2 809 227	2 184 072
Current year	1 587 496	2 005 389
Amount paid - current year	(1 142 609)	(1 380 234)
	3 254 114	**2 809 227**

VAT output payables and VAT input receivables are shown in VAT receivable note.

Audit fees

	2021	2020
Opening balance	1 048 187	775 642
Current year subscription / fee	3 145 464	3 347 926
Amount paid - current year	(2 765 136)	(3 075 381)
	1 428 515	**1 048 187**

PAYE UIF and SDL

	2021	2020
Opening balance	663 104	595 930
Current year subscription / fee	9 656 042	9 117 591
Amount paid - current year	(9 726 115)	(9 050 417)
	593 031	**663 104**

Pension and Medical Aid Deductions

	2021	2020
Current year subscription / fee	10 270 617	9 701 512
Amount paid - current year	(10 251 416)	(9 701 512)
	19 201	-

Notes to the Annual Financial Statements

41. Budget differences

Material differences between budget and actual amounts

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

Generally the actual has been lower than the budgeted amounts for the year mainly due to the changes in operations arising from the declared State of disaster.

Statement of Financial Performance

Rental of facilitates and equipment

The variances arises from the rental income being over budgeted for and the other tenant only joining later in the year. Municipality had anticipated to rent out additional office space.

Interest received (trading)

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

Other Income

The under budget is due to the Planning Department licenses and permits income not being budgeted for the year.

Interest received - Investment

The variances arises 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 did not receive financial assistance in the current year from Provincial Treasury which comes in the form os support through the payment of audit fees on behalf of the municipality.

LGSETA Income

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

Employee Related

The difference is mainly from the new appointments and the increase in the leave provision due to employees not taking a lot of leave days during the year.

Remuneration of councillors

The variance is due to over budgeting and is also attributable to the changes in the councillors during the year.

Depreciation and amortisation

The variance is due to under budgeting in the current financial year mainly on intangible assets amortisation.

41. Budget differences (continued)

Finance costs

The decrease is due to the reduction in the finance lease costs and decreases in interest charges from SARS.

Debt Impairment

The increase is mainly due to the increase in debtors mainly the Kopanong Local Municipality.

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

During the year the municipality place some control on the spending which resulted in the cost cutting in the spending. The Covid 19 pandemic also resulted in the reduction of some expenditures in the last quarter of the financial year as there was reduction in municipal operations such as travel and accomodation.

Inventories
The municiaplity did not budget for inventories as these are remaining consumables at year end.

VAT

The municipality did not budget for Value Added Tax.

Receivables from exchange transactions

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

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 exchamge transactions

The municipality over budgetd due to an erroneous error on the budget template (B Schedule). The schedule incorrectly populated the wrong payables balance.

Unspent conditional grants

The municipality did not budget the unspent as it anticipated that the grant will be paid back in the current financial year.

Employee Benefit Obligation

The employee benefit obligation was not budgeted for the year.

Xhariep District Municipality
(Registration number DC16)
Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement - (Unaudited)

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Investment revenue	871 304	(11 304)	860 000	-		860 000	651 803		(208 197)	76 %	75 %
Transfers recognised - operational	66 204 000	1 799 000	68 003 000	-		68 003 000	61 294 000		(6 709 000)	90 %	93 %
Other own revenue	841 683	(36 500)	805 183	-		805 183	1 009 188		204 005	125 %	120 %
Total revenue (excluding capital transfers and contributions)	**67 916 987**	**1 751 196**	**69 668 183**	**-**		**69 668 183**	**62 954 991**		**(6 713 192)**	**90 %**	**93 %**
Employee costs	(43 820 313)	(1 138 183)	(44 958 496)	-	-	(44 958 496)	(46 711 005)	-	(1 752 509)	104 %	107 %
Remuneration of councillors	(4 763 415)	(193 000)	(4 956 415)	-	-	(4 956 415)	(4 746 372)	-	210 043	96 %	100 %
Debt impairment	(491 000)	-	(491 000)			(491 000)	(573 602)	-	(82 602)	117 %	117 %
Depreciation and asset impairment	(1 660 850)	(150 000)	(1 810 850)			(1 810 850)	(1 959 745)	-	(148 895)	108 %	118 %
Finance charges	(290 000)	-	(290 000)	-	-	(290 000)	(167 245)	-	122 755	58 %	58 %
Other expenditure	(16 516 637)	126 624	(16 390 013)	-	-	(16 390 013)	(15 006 797)	-	1 383 216	92 %	91 %
Total expenditure	**(67 542 215)**	**(1 354 559)**	**(68 896 774)**	**-**	**-**	**(68 896 774)**	**(69 164 766)**	**-**	**(267 992)**	**100 %**	**102 %**
Surplus/(Deficit)	**374 772**	**396 637**	**771 409**	**-**		**771 409**	**(6 209 775)**		**(6 981 184)**	**(805)%**	**(1 657)%**

Xhariep District Municipality
(Registration number DC16)
Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	30 000	(10 000)	20 000	-		20 000	-		(20 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**404 772**	**386 637**	**791 409**	**-**		**791 409**	**(6 209 775)**		**(7 001 184)**	**(785)%**	**(1 534)%**
Surplus/(Deficit) for the year	**404 772**	**386 637**	**791 409**	**-**		**791 409**	**(6 209 775)**		**(7 001 184)**	**(785)%**	**(1 534)%**
Capital expenditure											
Total capital expenditure	404 771	(76 771)	328 000	-		328 000	407 916		79 916	124 %	101 %

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Employee related costs

Basic	31 360 050	30 235 893
Bonus	1 887 721	1 768 781
Medical aid - company contributions	2 116 377	1 934 616
UIF	147 084	146 366
SDL	379 611	359 167
SALGBC	9 266	8 749
Leave pay	1 730 395	690 194
Long-service awards	242 128	295 324
Acting allowances	146 847	173 426
Car allowance	3 595 901	3 576 029
Housing benefits and allowances	359 046	339 303
Cellular and Telephone	270 311	270 590
Pension	4 466 268	4 264 601
	46 711 005	**44 063 039**

Remuneration of Municipal Manager (Ms. Moletsane LY)

Annual Remuneration (Salary)	1 271 942	1 282 337
Travel Allowance	180 000	180 000
Annual Bonus - Remuneration structured	100 906	95 772
Contributions to UIF, SDL, Medical and Pension Funds	71 509	67 415
Housing allowance	96 000	96 000
	1 720 357	**1 721 524**

Remuneration of Chief Finance Officer (Mr. Litabe PV)

Annual Remuneration	1 031 100	1 045 529
Travel Allowance	120 000	120 000
Contributions to UIF, SDL, Medical and Pension Funds	250 010	246 897
Telephone Allowance	9 600	9 600
	1 410 710	**1 422 026**

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

Annual Remuneration (Salary)	1 084 461	1 095 555
Travel Allowance	108 000	108 000
Contributions to UIF, Medical and Pension Funds	210 692	208 261
Telephone Allowance	9 600	9 600
Leave termination payout	256 220	-
	1 668 973	**1 421 416**

Director for Corporate Services resigned in June 2021.

The directors receive a total cost to company which they restructure.

XHARIEP DISTRICT MUNICIPALITY
AUDIT ACTION PLAN - 2021_2022

CoAF Nr	Department/ Unit	Description	Root Cause	Remedial Action	Completion Date	Responsible Official
1	BTO	CoAF 1-2021 AFS high level review	Lack of review of AFS	AFS errors were corrected during the audit and final adjusted AFS submitted to AGSA. Management will review AFS before submission to audit	15 Aug 2022	CFO
2	MM	COAF 2-2021 Consequence management: Investigations not performed and registers not always updated for unauthorized, irregular and fruitless and wasteful expenditure	Lack of oversight and monitoring to ensure that management comply with all municipal legislation	Management will develop a UIFW reduction strategy. Quarterly reports will be submitted to MPAC for investigation	30 Jun 2022	Municipal Manager
3	MM	CoAF 3-2021 Audit committee deficiencies and non-compliance	The causes of the following issues identified are due to lack of management's oversight	Management has advertised the for members of the Audit Committee to ensure that is aligned with Section 165 (1) of MFMA	28 Feb 2022	Manager Internal Audit
4	MM	CoAF 4-2021 Internal control deficiencies related to internal audit	Oversight in ensuring compliance with the abovementioned legislation and regulation and non-submission of other internal audit reports to enable the auditors to confirm that the audits were undertaken	Upon appointment of the Audit Committee members, Management will ensure that reports are tabled to the Audit Committee on a quartely basis as per section 166 of MFMA	28 Feb 2022	Manager Internal Audit
5	CORP	CoAF 5-2021 IT environment weaknesses	Management did not take timeous action to implement improvements to address the prior year findings	The management is currently addressing the issue of licenses and network infrastructiure (and patch management)	6 Jun 2022	Manager: IT
6	CORP	CoAF 6-2021 IT documents outdated and not reviewed	Management did not ensure that the review processes for the IT governance framework, plans and policies were established	Document Review Process were established and that information was provided on each IT Document. The IT Unit will discuss with the internal audit unit and if the information provided was not enough, then necessary adjustments will be made.	30 Mar 2022	Manager: IT
7	MM	CoAF 7-2021 - Misstatements of performance in APR		Resolved		
8	MM	CoAF 8-2021 Mistatements in indicators in APR (2)	Management did not ensure that information underlying to the reported result, are supported with valid and accurate information	Timeous payment of the service provider for water quality testing so that there are quarterly water quality results and reports on a quarterly basis and as per the approved SDBIP projections. Quarterly reports on the implemetation of the RRAMS project will be compiled as per the approved SDBIP projections.	Quarterly	Director: Planning and Social Development Manager: EHS Manager: LED
9	BTO	CoAF 9-2021 Statement of changes in net assets calculation errors		Resolved		
10	PLANNING	CoAF 10-2021 Waste water treatment quarterly reports not submitted quarterly		Management will ensure to obtain quarterly reports from the service provider and submit to PMS	10 Jul 2022	Director: Planning and Social Development
11	BTO	CoAF 11-2021 Limitation of scope: RFI 32 - Unauthorised Expenditure		Resolved		

12	MM	CoAF 12-2021 Mid year assessment not done timeously	The oversight for compliance did not ensure that the requirements of section 72 as reported above, were met	Management will ensure that Council sit as per the approved Council Schedule of 2021-2022. Council is scheduled to sit on the 25 January 2022	25 Jan 2022	Director: Corporate Services
13	BTO	CoAF 13-2021 Limitation of scope: RFI 29 - Fruitless and Wasteful		Resolved		
14	BTO	PPE: Assets not recorded in the fixed asset register		Resolved		
15	BTO	CoAF 15-2021 Limitation of scope: RFI 40 - Expenditure contracted services		Resolved		
16	BTO	CoAF 16-2021 Limitation of scope: RFI 54 - SCM quotations		Resolved		
17	CORP	CoAF 17-2021 Payables: Follow up of prior year CoAF 22 - Leave pay accrual	This is as a result of the audit action plan not being adequately implemented.	Management must review the whole population and correct errors. Propose any adjustments to the registers	31 Mar 2022	Director: Corporate Services
18	BTO	Unauthorised expenditure: Prior year misstatement reported in CoAF 53 not reported	This is as a result of the audit action plan not being adequately implemented.	Unauthorised expenditure raised in the prior year must be recorded and reported.	30 Mar 2022	Manager:BATS
19	BTO	CoAF 19-2021 Depreciation opening balance differences on assets	This is due to management oversight and incorrect amounts being used in the formula used to calculate depreciation	The asset register will be reviewed and updated thoroughly every month end. Formular used for calculation of Depreciation be "locked" to avoid changes	31 Jan 2022	Manager BATS
20	BTO	Receivables - Amount incorrectly recovered as a receivable and not a loss	The municipality does not actively pursue amounts due to it with all reasonable means	The Muncipality must adhere to Debt collection policy. Follow up with the debtor and fully impair the debt. Recommend write-off to Council	31 Jan 2022	CFO
21	BTO	Receivables - Debt prescribed due to inaction on the amount due	The municipality does not actively pursue amounts due to it with all reasonable means	The Muncipality must adhere to Debt collection policy. Follow up with the debtor and fully impair the debt. Recommend write-off to Council	31 Jan 2022	CFO
22	BTO	CoAF 22-2021 Prior year PPE matters CoAf 37 and 46	This is as a result of the audit action plan not being adequately implemented.	Evidence will be provided to Internal Audit Unit as a proof that the prior year issues on the Audit action plan are being followed and resolved or implemented.	31 Mar 2022	Manager BATS
23	MM	AOPO: Targets are not well defined	Adequate review of publishable information was not performed by different levels of management to ensure that all information as contained in the APR and Revised SDBIP are well defined	The errors on the two KPI's that was identified during the Audit have been corrected and projected adequately in the SDBIP 2021-2022. A printed version has been tabled and apeeoved by Council	Complete	Manager: PMS
24	MM	AOPO: Remedial action for under performance of indicator not included in draft APR	Resolved	Resolved		

25	CORP	CoAF 25-2021 Register of meetings (MPAC, Council, Management), signed minutes and charter not provided for MPAC	The municipality did not maintain and safeguard information in such a manner that it is reliably and easily retrievable	Management will ensure that there is a signed register/Schedule of MPAC meetings and a sound Records Management is applied.	31 Mar 2022	Director: Corporate Services
26	BTO	CoAF 26-2021 Prior year expenditure matters CoAF43, 45, 62, 66, 80	This is as a result of the audit action plan not being adequately implemented.	Management to ensure that it develop and monitor the implementation of action plan to address all the issues raised and implement internal control deficiencies. All the transactions will be recorded correctly in the GL; as per the goods/services received; attandance regiseters to be attached; transaction to be recorded in the correct financial year etc	31 Mar 2022	Manager: Expend & Payroll
27	CORP	Employee benefit obligation: Incorrect appointments dates used in the calculation of the estimate	Management did not review data submitted to actuaries	A data cleansing exercise will be undertaken and data reconciliation between HR and Payroll records	31 Mar 2022	Director: Corporate Services
28	BTO	CoAF 28-2021 Evidence not obtained for Q2 and Q3 UIFW reports submittion	Management oversight in ensuring compliance with section 32(4) of the MFMA.	Quarterly UIFW detailed reports must be submitted to PT and CoGTA as precribed.	Quarterly	Manager:SCM
29	CORP	CoAF 29-2021 Prior year employee benefit obligation matters CoAF 67	This is as a result of the audit action plan not being adequately implemented.	A data cleansing exercise will be undertaken and data reconciliation between HR and Payroll records	31 Mar 2022	Director: Corporate Services
30						
31	BTO	CoAF 31-2021 Asset serial number errors	The asset verification process during the year does not detect errors since focus is on the bar code.	Thorough assset verification will be performed from floor to register, for all the assets of the Municipality to correct errors.	Monthly	Manager:BATS
32	BTO	PPE: Asset could not be verified		Resolved		
33	BTO	CoAF 33-2021 Expenditure information not provided (Rfl 52)		Resolved		
34	BTO	CoAF 34-2021 Interest write-off should be recognised as debt forgiveness	The information on the statement from the creditor was updated to the account normally used without realising that the nature of the transactions differ from finance costs.	Interest write off from any account must be recognised as a debt forgiveness. All credit notes must be considered for correct accounting treatment	30 Jun 2022	Manager: Expend & Payroll
35	BTO	CoAF 35-2021 Carospan payment not confirmed as probable for recovery	The municipality disagree that they owed the amount and expect their supplier to refund the amount paid.	The matter was resolved with the adjusted AFS. The court settlement amount was reclassified as an expense instead of receivables		
36	BTO	CoAF 36-2021 Budget statement differences identified	Lack of oversight by management to ensure that the amounts disclosed on the Statement of comparison of budget and actual amounts are accurate	Management should review the Budget amounts before council approval and capturing on the system. Monthly monitoring of the Budget should be performed	28 Feb 2022	Manager: Budget
37	BTO	CoAF 37-2021 Accrued interest should be cash and cash equivalents	The municipality has not identified the classification error from the reviews done	Accrued interest at year end to be classified as cash and cash equivalent instead of increasing the balance of investment	7 Jul 2022	CFO
40	PLANNING	AOPO: D36 - Number of water quality samples collected per local municipality (Kopanong LM) - Water samples not associated with locations within Kopanong's demarcated area		Resolved		
42	BTO	CoAF 42-2021 Suppliers not tax compliant on CSD	Management did not ensure adherence to applicable regulations	Management to ensure that only tax compliant suppliers are awarded businesses.	31 Mar 2022	Manager: SCM

43	BTO	CoAF 43-2021 Three quotations not obtained for funeral	Management did not ensure adherence with applicable regulations	Management to ensure that a minimum of three quotations are obtained for all procurement above R10 000	31 Mar 2022	Manager: SCM
44	BTO	CoAF 44-2021 Quotations for suppliers not on CSD	Management did not ensure adherence with applicable regulations	Management to ensure quotations are received from suppliers on CSD only and if supplier is not on CSD, must meet the listing requirements in terms of SCM reg 14.	31 Mar 2022	Manager: SCM
45	BTO	CoAF 45-2021 Arbitration award included in basic salaries	This is as a result of management classifying the arbitration amount as basic salaries because it is for a claim for loss of income of an ex-employee.	The matter was corrected with the adjusted AFS. Arbitration award was reclassified from Salaries to litigation expenses		
46	BTO	CoAF 46-2021 Bidder incorrectly disqualified	The matter occurred due to the pre-determined requirements as stipulated in the bid documents being vague	Management has responded that a correct treatment was applied by Bid Committees. Technical feedback from AGSA is still awaited		Manager: SCM
47	CORP	CoAF 47-2021 Travel allowances without supporting documentation	This is due to employees not providing the required information in accordance with the municipality's travelling and subsistence policy	Mangement will write a letter to employees to resubmit the outstanding documents	31 Mar 2022	Director: Corporate Services
48	BTO	CoAF 48-2021 Award to suppliers who did not declare interest	Management did not ensure adherence to the applicable SCM regulations	SCM must obtain MBD4 declaration for each transaction and each supplier and attach to expense voucher	31 Mar 2022	Manager: SCM
49	CORP	CoAF 49-2021 Travel allowances not in agreement with appointment letters	There is no document in the personnel file that clearly states how the amount of the travelling allowance was calculated for the employee	Management will investigate the matter of travelling allowances and correct the error where necessary	31 Mar 2022	Director: Corporate Services
50	CORP	CoAF 50-2021 Home owners allowances without supporting documentation	This is due to employees not providing the required information in accordance with the municipality's service conditions policy	Home owners supporting documentation will be requested to all employees receiving home owners allowances	31 Mar 2022	Director: Corporate Services
51	MM	AOPO: D38 - Number of quarterly waste water samples collected per municipality (Mohokare LM) - could not confirm that sample relates to Mohokare LM		Resolved		
52	MM	AOPO: D38 - Completeness of number of quarterly waste water samples collected per municipality (Kopanong LM)		Resolved		
53	MM	AOPO: D38 - Validity of quarterly waste water samples collected per municipality (Kopanong LM) - could not be confirmed		Resolved		
54	MM	AOPO: D38 - Completeness of number of quarterly waste water samples collected per municipality (Letsemeng LM)		Resolved		
55	MM	AOPO: D38 - Validity of quarterly waste water samples collected per municipality (Letsemeng LM) - could not be confirmed		Resolved		
57	MM	AOPO: D38 - No. of quarterly waste water samples taken per local municipality (Kopanong LM) not agreed to reported value		Resolved		
58	BTO	CoAF 58-2021 Evidence that contracted services were received not sufficient		Resolved		
59	BTO	CoAF 59-2021 Invoice in the wrong accounting period	This is as a result of management oversight in ensuring that the expenditure is recorded in the year in which the goods/ services were received and not when payment is made	Expenditure to ensure that all the invoices raised in the system are raised in the correct financial year, with the correct date and are reviewed before posting.	31 Mar 2022	Manager: Expend & Payroll

60	BTO	CoAF 60-2021 Travel expenditure recognised in incorrect period	This is as a result of management oversight in ensuring that the expenditure is recorded in the year in which the goods/ services were received and not when payment is made.	Management to ensure that all the travelling and susbsistance claims are paid in the year in wich they relate and also ensure that a cut-off date is implemented for the claims to be submitted for year-end accruals.	30 Jun 2022	Manager: Expend & Payroll
61	BTO	CoAF 61-2021 VAT accounting error in expenditure	This was due to incorrectly accounting for VAT.	Management wil put in place the controls to ensure that the weekly/monthly captured documents correctly and are reviewed before posting.	31 Mar 2022	Manager: Expend & Payroll
62	CORP	CoAF 62-2021 Employee costs prior year findings not addressed (CoAF 78 - 80)	This is as a result of the audit action plan not being adequately implemented	A data cleansing exercise will be undertaken and data reconciliation between HR and Payroll records Payroll will have meeting with with SAGE to investigate the UIF error	31 Mar 2022	Director: Corporate Services CFO
63	BTO	CoAF 63-2021 Evidence not available to cnfirm that expenditure occurred	The municipality's safeguarding of information is not sufficient to ensure that sufficient evidence exist to confirm that expenditure occurred.	Management to ensure that where proof of expenditure is required in a form of occurrence, supporting documentation to that effect is obtained, attached to the voucher payment during the period in which it occurred and file it.	31 Mar 2022	Manager: Expend & Payroll
64	BTO	CoAF 64-2021 Expenditure classification and cut-off errors	**Cut-off:** This is as a result of management oversight in ensuring that the expenditure is recorded in the year in which the goods/ services were received and not when payment is made. **Classification**: This is as a result the expenditure transactions not being recorded in the general ledger in line with the services and goods received as per the invoice description	Expenditure must ensure that all the payments are captured in the correct financial year and are reviewed before posting. The classification of expenditure to be reviewed to ensure that they are classified under the correct expenditure group.	31 Mar 2022	Manager: Expend & Payroll & Manager: BATS
65	BTO	CoAF 65-2021 Contract extended beyond threshold	Management did not monitor the percentage of the expenditure that exceeded the contract value against the prescribed threshold	SCM should implement contract management to ensure contract extentions do not exceed 15% of the contract value	30 Jun 2022	Manager: SCM
68	BTO	COAF 68-2021 Unspent conditional grant differences	The unspent grants register was not sufficiently maintained and reviewed to detect these errors	Resolved		
70	CORP	CoAF 70-2021 Bonus paid in wrong month	This is due to incorrect appointment dates being recorded in the schedule.	Management will review the Bonus dates to align with the HR Policy.	31 Mar 2022	Director: Corporate Services
71	BTO	CoAF 71-2021 Irregular expenditure excluded from AFS	The review of the AFS against the supporting registers did not identify the irregular expenditure not included	SCM must record all irregular expenditure identified in the prior year. Monthly review and monitoring of registers	30 Jun 2022	Manager: SCM
72	CORP	CoAF 72-2021 Appointments not in accordance with requirements	Oversight and improper record keeping	Management commit to follow Staff Regulation	30 Jun 2022	Director: Corporate Services
77	BTO	CoAF 77-2021 Supplier not tax compliant at date of award		Resolved		
78	BTO	CoAF 78-2021 Payable information not received	The municipality did not maintain and safeguard information in such a manner that it is reliably and easily retrievable	Management to implement proper record keeping of documents.	31 Mar 2022	Manager:Expend & Payroll
79	BTO	CoAF 79-2021 Invoices for payables not received	The municipality did not maintain and safeguard information in such a manner that it is reliably and easily retrievable	Create a separate file for all invoices received and capture them immediately after verying the validity, they should be stamped as "CAPTURED" . All captured invoices must be attached to the expense voucher and marked as "PAID"	30 Mar 2022	Manager: Expend & Payroll

80	MM	CoAF 80-2021 Differences between performance and underlying evidence	Management did not ensure that reported results are supported with valid and reliable underlying information	Measures must be implemented to ensure that all achieved results are supported, and that there a systems in place to prevent errors from occurring	31 Mar 2022	Manager: PMS
81	BTO	CoAF 81-2021 Travel claims exceeded calculated distances	Management lack of oversight whilst approving travel claims (trip authority), have not considered travel kilometers responability	Each claimant must record accurate kilometers travelled before submittion to Payroll for precessing. BTO to write a Memo to all officials and Coucillors to inform them	31 Mar 2022	Manager:Expend & Payroll
82	BTO	CoAF 82-Unspent Conditional Grants: Prior year CoAF23 not resolved	This is as a result of the audit action plan not being adequately implemented	Management should follow up prior year issues raised on grants Transactions should be recorded in the correct accounting period.	31 Mar 2022	CFO

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