

**DRAFT ANNUAL REPORT FOR THE  
PERIOD ENDED 30 JUNE 2013**



**Fezile Dabi**  
District Municipality

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## **CHAPTER 1**

### **EXECUTIVE MAYOR'S FOREWORD AND EXECUTIVE SUMMARY**

#### **1.1 Foreword by the Executive Mayor**

Fellow citizens of Fezile Dabi District Municipality, it is once again with honour and pleasure for me to present the Annual Report for Fezile Dabi District Municipality for the financial year ended 30 June 2013. This Annual Report therefor provides authoritative results of our work for the period 1 July 2012 to 30 June 2013.

Let me take this opportunity to once again pay tributes to our late International Icon and founding father of our democracy, Tata Rolihlahla Nelson Mandela, who passed away in December 2013. We will forever be thankful and remember him for his selfless struggle for a free and democratic South Africa. Had it not being for the solid foundation he has laid for us, we would not have achieved what we have achieved as a country today. I therefore dedicate all our hard work and achievements as Fezile Dabi District Municipality to his ever lasting legacy.

Like other previous financial years, 2012/13 was also an eventful financial year for our district, characterized by both successes and challenges as we continued to improve the lives of our people.

During the reporting period under review, the National Government, under the leadership of the African National Congress, has set five National Apex Priorities, which as a sphere

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of government that is closer to the people, we had to align with throughout our planning and implementation processes, so as to ensure that we improve the lives of our communities in line with strategically identified national priorities. The five National Apex Priorities are as follows:

*Priority 1: Implement intensive campaign on energy security*

*Priority 2: War against Poverty*

*Priority 3: Speed up community infrastructure programme:*

*Priority 4: Intensify campaign on communicable diseases*

*Priority 5: Ensure integrated planning across all spheres*

As the Executive Mayor of this municipality, it was my legislative responsibility to ensure that the resources at the disposal of the municipality during the period under review were used in a way that best respond to the above priorities as well as a variety of other priority needs of the communities in Fezile Dabi District Municipality.

The results that are contained in this annual report are therefore aimed at reflecting on the progress and milestones achieved in application of limited resources that were at our disposal in pursuit of quality and sustainable service delivery within our district.

Moving forward, we will continue to use our intergovernmental structures as an engagement platform with local municipalities in our district and other stakeholders in government in a manner that will set us on a path for more growth, sustainable development and accelerated service delivery.

On behalf of the Council of Fezile Dabi District Municipality, I would like to extend my gratitude to all the communities within Fezile Dabi District Municipality for district for having afforded us an opportunity to lead and serve them. I would also like to thanks my fellow Councilors for their dedication to serve the people of Fezile Dabi District Municipality. To the Municipal Manager and the entire administration, thank you for commitment and giving an expression to our Integrated Development Plan and other Council resolutions.

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**Executive Mayor**

Councillor: M Moshodi

**1.2 Municipal Manager's Foreword**

Honourable Executive Mayor, it is my pleasure to present the Annual Report of Fezile Dabi District Municipality for 2012/13 financial year.

While this annual report is aimed at communicating useful information regarding the results of our institutional performance during the period under review, it also serves as a perfect barometer with which to measure and set our goals for the forthcoming financial year and beyond.

Section 121(3) of the Municipal Finance Management Act 2003, read together with section 46 of the Municipal Systems Act 2000, prescribes the minimum contents of an annual report of a municipality. In preparation of this annual report, I have considered these legislative requirements and I have also considered the importance of reliability, usefulness and relevance of the annual financial statements and performance information as contained herein.

In terms of Section 156 of the Constitution of the Republic of South Africa, 1996, Fezile Dabi District Municipality is a category C municipality that has executive and legislative authority to administer Local Government Matters listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial legislation. Furthermore, this municipality is accordingly empowered to do anything reasonably necessary for, or incidental to, the effective performance of its functions and the exercise of its powers and this includes making and administering by-laws.

In order to discharge its constitutional mandate effectively, Fezile Dabi District Municipality has a system of organisational structure which was established for the purpose for aligning and delegating functions to specific functional areas for the purpose of efficiency and accountability.

This Annual Report therefore provides an authoritative record of the activities of Fezile Dabi District Municipality during the 2012/13 financial year, and therefore seeks to promote accountability to the local community for the decisions we made throughout the 2012/13 financial year.

During the period under review, a number of strategic bilateral between the district and various others stakeholders were held in an effort to ensure co-ordination of activities, this was particularly eminent at the level of Integrated Development Planning, in which cases national, provincial and local municipalities within the district were engaged to participate in our processes.

Similarly to the previous financial year, we have once again managed to maintain Unqualified Audit report from the Auditor-General for the period under review, with fewer paragraphs on other matters, marking and improvement from the prior financial year. I am also confident to say from a financial health point of view, our municipality remains sustainable and will be able to continue to meet all its obligations as and when they become due in the foreseeable future.

During the period under review, corporate and operational risk assessment was performed for all areas within the municipality, risk identification processes were carried out. Risk mitigation strategies were identified, implemented and monitored constantly throughout the period.

#### **Key challenges for the next financial year**

During the forthcoming financial year, we will be faced with a number of challenges and opportunities. We are, however, confident that we are well capacitated to contend with any challenge confronting us, while at the same time

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ready to embrace and build on our achievements going forward. The following is a snap-short of some of the challenges and opportunities projected for the new financial year.

- ***Compliance with laws and regulations***

The report of the Auditor-General for the period under review points a number of non-compliance areas with laws and regulations which we are obliged to comply with.

In order to deal with this situation, we will be developing an action plan to be executed in the 2014/15 financial year. The plan will be aimed at addressing the identified areas of non-compliance, while ensuring full and sustainable compliance with laws and regulations going forward.

- ***Performance Management System***

Fezile Dabi District Municipality has a Performance Management Systems (PMS) in place. The system was developed in line with Municipal Systems Act, Municipal Planning and Performance Management Regulations of 2001 as well as Performance Management Regulations of 2006 for managers reporting directly to the municipal manager.

However, the major challenge to this effect is the cascading of the implementation of the system to the lower levels within the organization. The successful cascading on the PMS down to the level of the lowest level within the organization will go a long way in improving the overall institutional performance.

- ***Financial Management and Viability***



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Equitable Share allocation to local municipalities continues to be a major revenue source for our municipalities. We must however acknowledge that municipalities are encouraged to work towards reducing their dependency on Equitable Share as a revenue source and try to build their own sustainable revenue base.

We therefore have to continue to support local municipalities within our district to strengthen their revenue collection efforts while at the same time innovatively identifying new revenue sources in order to expand the revenue base.

### ***Way Forward***

It is our view that, in taking the process fulfilling our developmental mandate as a district municipality, we should also pay more attention to building the capacity of local municipalities within our district so as to ensure that they are able to improve on the performance of their basic functions.

This can be achieved through enhanced intergovernmental synergies by ensuring collaborative, inclusive and participatory planning processes so as to ensure common collective results in the end.

### ***Acknowledgements***

In conclusion, I would like to thank our Council, the Executive Mayor, the Speaker and the Mayoral Committee for their support and unwavering political leadership throughout the year, and I would also like to thank our senior management team and the entire administration for their dedication towards a worthy course of ensuring serving the people of Fezile Dabi District Municipality with excellence.

To our communities and all stakeholders, thank you for being worthy partners in our endless journey of ensuring sustainable, accountable and admirable organization.

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**Municipal Manager**

Me. L Molibeli

### **1.3 Municipal Overview**

#### ***Introduction to Background Data***

Fezile Dabi District Municipality, formerly known as the Northern Free State District Municipality was established on the 6<sup>th</sup> December 2001 as a result of Section 21 of the Local Government Demarcation Act 1998 whereby all areas of the former Local Government bodies were re-demarcated and new municipalities were established. The name was officially changed to Fezile Dabi District Municipality on the 3<sup>rd</sup> May 2005.

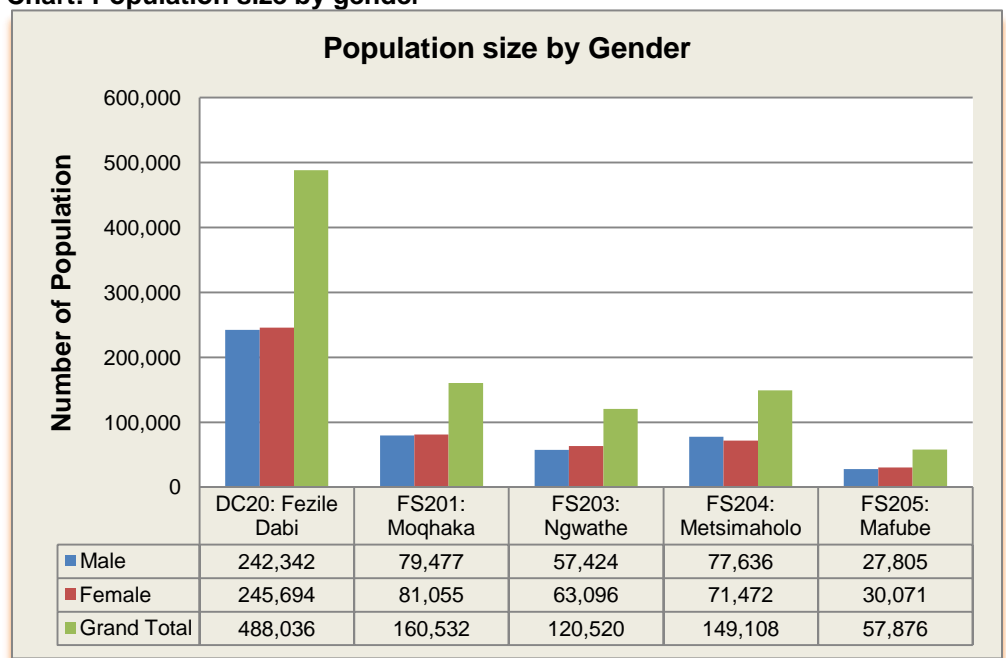
The District is one of five District Municipalities in the Free State Province and comprises of Moqhaka, Ngwathe, Metsimaholo and Mafube Local Municipalities.

Fezile Dabi has a total area of 21 301 km<sup>2</sup> and an estimated population of 488 036 people. Its biggest town, Sasolburg, is the chemical hub of South Africa as it is dominated by the petro-chemical industry. Fezile Dabi is also a strategic agricultural region which produces a considerable percentage of South Africa's grain crop, including maize, wheat and sunflowers. The frost-free climate of the region not only makes it ideal for cultivation but also supports a rich biodiversity. The District also serves as an important tourist destination as it is host to South Africa's 7<sup>th</sup> world heritage site, the Vredefort Dome, which is the world's largest and oldest meteorite crater. The area is also home to numerous nature reserves as well as the Vaal Dam which is the main source of water to South Africa's industrial heartland.

### ***Population Distribution***

The population of Fezile Dabi District Municipality is distributed as outlined below on the chart, taking into account population statistics of the four local municipalities within the district.

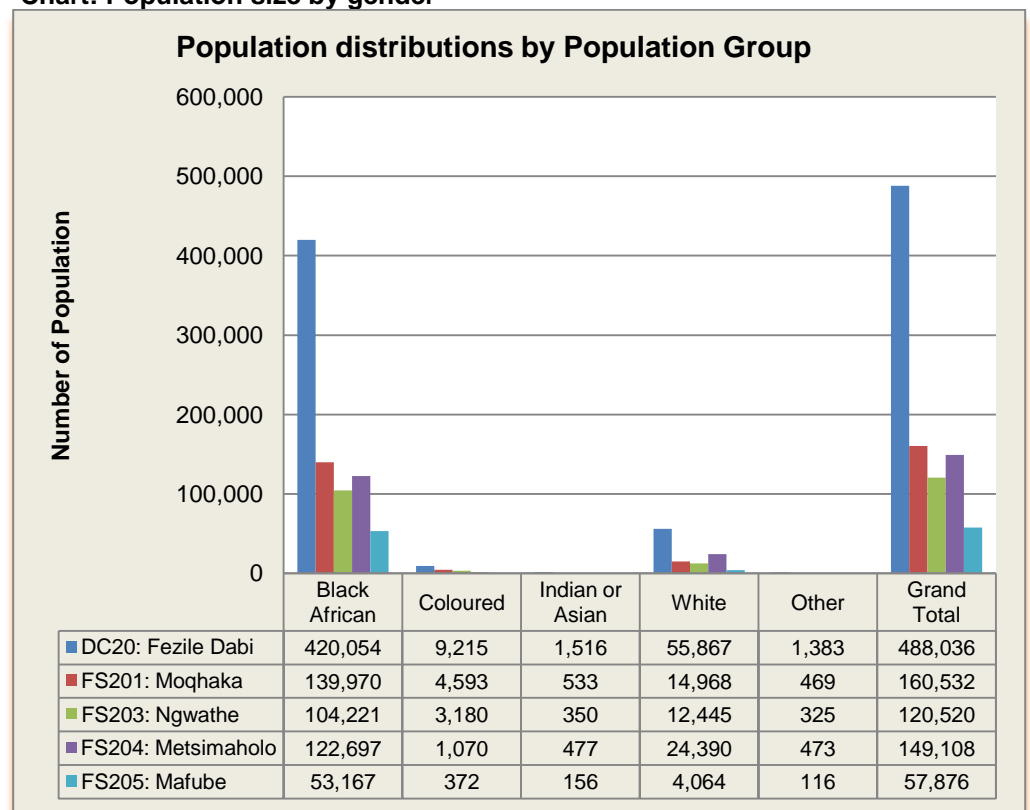
**Chart: Population size by gender**



Source: Statssa, Census 2011

***Racial make-up of population***

Conversely to the above chart, the chart below presents the population group of Fezile Dabi District Municipality by population group.

**Chart: Population size by gender**

Source: Statssa, Census 2011

### ***Executive Summary***

An overview of service delivery landmarks that we have gained and the challenges that we have faced during the period under review, are presented in this executive summary are where applicable, presented in line with the seven (7) outputs of Outcome 9 as follows:

#### ***Outcome 1: Differentiated Approach to Municipal Finance, Planning & Support***

In line with the approved IDP process plan, our IDP for 2012/13 was developed, presented to public for consultation and finally approved by Council in May 2012. This achievement is not only attributable to our understanding and need to meet all legislative requirements applicable to IDPs, but also our approach of multi-stakeholder participation which is aimed at promoting good corporate governance and community participation throughout our initiatives.

With regards to performance monitoring and evaluation, Fezile Dabi District Municipality use the framework provided by performance management regulations to monitor and measure performance in accordance with the set performance objectives and targets. These systems and processes further requires that we should report on performance quarterly in order to facilitate effective performance monitoring, evaluation and where possible, corrective action needed to be taken.

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Although we are confident of the effectiveness of our performance management systems, this needs to be complimented by consistency in our internal reporting, at such intervals and timeframes as required by legislation.

During the period under review, vacancy rate at top management level was recorded at 0%, i.e all 6 senior managers' positions were filled. Managers reporting directly to the municipal manager had signed performance agreements with the Municipal Manager and the Municipal Manager had signed her performance agreement with the Executive Mayor accordingly. Departmental performance plans were also developed in alignment with Service Delivery and Budget Implementation Plan (SDBIP). These plans served as the basis of monitoring and evaluation of performance individual and institutional performance.

***Output 2: Improved Access to Basic Services***

It is worth mentioning improved access to basic services cannot be realized without investment in infrastructure at all levels of government. Therefore, infrastructure investments remain one of our key developmental goals as a municipality. In order to realize sustained and integrated service delivery to our communities, it is important that we take a concerted approach together with local municipalities within our district towards planning and provision of infrastructure and services. The key challenge in this regard though, is to break the culture of inconsistent infrastructure investments between urban and rural areas in our district. Infrastructure investments in urban and rural areas are sometimes seen as mutually exclusive and competing, whereas this should not be the case.

In overall, the number of household that have access to basic services, such as electricity, water, sanitation and refuse removal, has increased remarkably within the district, since 2007 as per 2011 Census released by Statistics SA. However, our efforts to strengthen working relations with all local municipalities within our district, made it possible for the district service delivery and infrastructure development programmes to keep pace with rapid population growth, thereby

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enabling gradual access of services by communities in general and free basic services to poor households in particular.

***Output 3: Implemented Community Work Programme***

During the period under review, the following major infrastructure programmes under implementation by district municipality across the district:

- Paving of Streets in Edenville
- Provision of Electricity for farm workers houses
- Sewer Reticulation and Toilet Structures in Qalabotjha
- Refurbishment of Electrical Network in Vredefort
- Sewer Yard connections in Gortin for 2400 erven
- Installation of new Outfall Sewer between Const.PS and WWTW
- Electrification of stands in Edenville
- Qalabotjha Stadium
- Frankfort fire station (EHS department)
- Rehabilitation of streets in Ngwathe
- EPWP - Tumahole stormwater canals

Through these projects, a total number of XXX jobs were created

Our Local Economic Development (LED) department plays an important role in initiating and supporting various Community Work programmes and other sustainable economic programs initiated by communities within our district.

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Therefore, through LED initiatives, our priority remains the eradication of poverty, by focusing on sustainable economic activity and employment creation initiatives for all the communities within our district.

During the period under review, our strategic focus was on the following core areas of our LED strategic objectives:

- Stimulating SMME development
- Sustainable livelihoods
- Vocational Skills Development

***Output 4: Actions to Support the Human Settlements Outcome***

One of the Spatial Development Goals for our municipality is to promote sustainable human settlement within the district.

One of the key attributes of this goal is to ensure that there is compliance with relevant planning laws, policies and standards through application and enforcement of various related by-laws.

During the period under review, a number of activities related to enforcement of related by laws to support sustainable human settlement were undertaken. The following are among the major activities that were undertaken:

- 42 Community awareness campaigns were held throughout the district around Waste Management issues;
- 229 Complaints regarding Environmental Pollution were attended to and various sources of pollution were identified;
- 76 Premises across the district were surveyed to ensure compliance with build legislations
- 787 of 913 building plans as submitted to various local municipalities within the district were compliant with various relevant legislation.



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***Output 5: Refined Ward Committee Model to deepen democracy***

Ward Committees are legislative structures that serve as an interface between communities and the political and administrative structures of municipalities.

The activities of ward committees in Fezile Dabi District Municipality are co-ordinated directly from the office of the Speaker.

During the period under review, the office of the Speaker visited ward committees in the local municipalities to assess their level of functionality. The main objective was to ensure that all the ward committees in Fezile Dabi to be functional as per national 2014 target.

Except for Moqhaka Local Municipality, all ward committees in Metsimaholo, Ngwathe and Mafube Local Municipalities were reported to be functional by the respective municipalities.

In order to deal with various challenges facing the ward committees, the office of the Speaker recommended a number of corrective measures that needed to be taken, and these included the following:

- That Speakers' Forum to deal with non-attendance of meetings by ward committees;
- That municipalities should initiate public participation programmes on monthly basis;
- That resources should be availed for public participation programmes
- That Speakers should also ensure that their Public Participation Officers (PPOs) should report about public participation activities in their respective municipalities

***Outcome 6: Improved Municipal Financial and Administrative Capability***

With regards to financial management and viability, we operate our financial administration within the framework of Municipal Finance Management Act

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(MFMA) Act No 56 of 2003, the Annual Division of Revenue Act (DoRA) and other Treasury regulations and guidelines.

For the period under review a number of additional standards of Generally Recognized Accounting Practices (GRAP) were introduced which we had to comply with. With regards to the audit results, we have once again managed to maintain Unqualified Audit opinion from the Auditor-General for the period under review, with fewer paragraphs on other matters, marking and improvement from the prior financial year.

This remarkable achievement is attributable to, among others, preparation of credible budgets, monitoring of its implementation and consistent and compliant report thereon. To this effect, our determination and goal still remains attainment of clean audit by the next financial year (i.e 2014/15), but also to ensure that we continue to support local municipalities in our district, through hands-on and other support, so as to ensure that they also gear-up towards clean audit in the foreseeable future.

#### ***Output 7: Single Window of Coordination***

The constitution of the country requires all spheres of government to observe the fundamental principles of cooperation between spheres of government. Concomitant to this background, Fezile Dabi District Municipality see the intergovernmental relations between spheres of government as an important tool to enhance and speed up service delivery.

During the period under review, a number of strategic bilateral between the district and various others stakeholders were held in an effort to ensure co-ordination of activities, this was particularly eminent at the level of Integrated Development Planning, in which cases national, provincial and local municipalities within the district were engaged to participate in our processes.

## **CHAPTER 2**

### **GOVERNANCE**

#### **Component A: Governance Structures**

##### **1. Political Governance Structure**

Chapter 7 of the Constitution of the Republic of South Africa provides that a municipality's executive and legislative authority is vested in its Municipal Council. In order to discharge this authority, the Constitution enjoins and vest the following developmental mandates on municipalities.

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

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Therefore, Fezile Dabi District Municipality has both political as well as administrative structures. The political structure consists of the entire municipal Council, the Executive Mayor, the Speaker and the Mayoral Committee.

### **1.1 Municipal Council**

The municipal council of Fezile Dabi District Municipality is the highest decision making body in the area of jurisdiction of this municipality. The council consists of 32 councillors affiliated to different political parties. The Executive Mayor and the speaker also form part of this council and are both full time political office bearers.

### **1.2 Mayoral Committee**

The Mayoral Committee members are appointed by the Executive Mayor and serve as political heads of various departments and section 79 committees. Fezile Dabi District Municipality has an Executive Mayoral System, this means that the executive leadership of the municipality is vested with the Executive Mayor, and as a result, the executive authority of the municipality is exercised through the Executive Mayor, and the exercise of his executive authority, he is assisted by his Mayoral Committee

The Fezile Dabi District Municipality's Mayoral Committee consisted of the following members as at the end of the period under review:

- Cllr M P Moshodi - Executive Mayor
- Cllr GL Nketu (Speaker)
- Cllr ME Notsi
- Cllr AM Oliphant
- Cllr K Khumalo
- Cllr ME Magashule
- Cllr GN Guza
- Cllr LM Hlapane

### **1.3 Committees of the Council**

The Council had five committees established in terms of section 79 of Municipal Structures Act during the period under review. These committees are responsible for implementation of specific committee related programmes and members of the Mayoral Committee serve as chairpersons in these committees and thus as political heads of various departments.

The names of the committees were as follows for the period under review:

- **Finance Committee**
- **Local Economic Development Committee**
- **Corporate Support Services Committee**
- **Environmental Health and Emergency Services Committee**
- **Project Management & Public Works Committee**

### **1.4 Political Decision-Making**

During the period under review, the council has taken a number of decisions for implementation. Decisions are made in a form of resolutions by consensus or majority vote of councillors present.

The table hereunder provides a summary of key resolutions taken by council during the period under review, with an indication of whether such decisions have been carried out at the administrative level.

<b>Council Decision</b>	<b>Resolution No.</b>	<b>Implemented (Yes / No)</b>
Budget Process Plan	Item 27 ( 16 August 2012)	Yes
IDP Process Plan	Item 07 (30 August 2012)	Yes
IDP	Item 87 ( 30 May 2013)	Yes

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Budget 2013/14	Item 88 ( 30 May 2013)	Yes
Annual Report 2011/12	Item 29 January 2013	Yes
Adjustment Budget 2012/13	Item 15 (29 January 2013)	Yes
Oversight Report 2011/12	Item 78 ( 02 April 2013)	Yes
Audit Committee Report 2011/12	Item 12 ( 12 December 2012)	Yes
Section 72 Mid-year Budget and Performance Assessment Report of the Municipality	Item 14 (29 January 2013)	Yes

## **2. Administrative Governance Structure**

The administrative structure at Fezile Dabi District Municipality is headed by the Municipal Manager, who is also the Accounting Officer for the entire administration. As the Accounting Officer, the Municipal Manager provides guidance on compliance with legislation to political structures; political office bearers, and officials of the municipality.

In execution of his duties, the Municipal Manager was assisted by her senior managers, who serve as departmental heads and all together, constitutes the senior management team of the municipality.

The senior management team of Fezile Dabi District Municipality for the period under review was structured as follows:

Municipal Manager - **Me. L Molibeli** -

Chief Financial Officer - **Mr. G Mashiyi** –

Director: Corporate Support Services - **Adv. AM Mini**

Director: Community, Health and Environmental Services - **Mrs. NT Sgudu**

Director: Local Economic Development & Tourism - **Mrs. V Moloi** -,

Director: Project Management and Public Works - **Me. L Molibeli (Acting)**

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The position of the Director Project Management and Public Works became vacant since December 2012 and was not yet filled as at the end of this reporting period, and Me. ML Molibeli was acting.

## **Component B: Intergovernmental Relations**

### **1. District Coordinating Forum**

The object of the District Coordinating Forum is to promote and facilitate intergovernmental relations and cooperative government between the District Municipality and its affiliated Local Municipalities. The District Coordinating Forum is consultative platform where all the Mayors and other stakeholders within the district convene discuss and consult each other on matters of mutual interest.

The forum held meetings as follows during the period under review:

<b>Meeting</b>	<b>Date</b>	<b>Venue</b>
1 <sup>st</sup> Meeting	26 July 2012	The River Terrace of Stonehaven on Vaal - Vanderbijlpark
2 <sup>nd</sup> Meeting	26 February 2013	Enoch Sontonga Council Chambers of Fezile Dabi District Municipality

### **2. The Speakers' Forum**

The Speakers' Forum is another structure established to further promote Intergovernmental Relations. This structure allows all Speakers within the district to come together to share ideas and integrate programs and identify areas of weakness as well as the type of intervention needed. Although this forum does not carry executive authority to make decisions, it however, provides remedial advices on a number of issues.

The forum meets once every quarter and in the period under review, the meetings took place as follows:

Meeting	Date	Venue
1 <sup>st</sup> Meeting		
2 <sup>nd</sup> Meeting		
3 <sup>rd</sup> Meeting		
4 <sup>th</sup> Meetings		

### 3. Technical Intergovernmental Relations

There is a Technical Intergovernmental Relations (Technical IGR) structure in the district that promotes and facilitates intergovernmental relations between the district municipality and local municipalities in the district as well as other sector departments in the province.

During the period under review, the following Technical IGR meetings were held.

Meeting	Date	Venue
1 <sup>st</sup> Meeting	08 November 2012	Enoch Sontonga Council Chambers



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		of Fezile Dabi District Municipality
2 <sup>nd</sup> Meeting	19 February 2013	Enoch Sontonga Council Chambers of Fezile Dabi District Municipality
3 <sup>rd</sup> Meeting	08 May 2013	Enoch Sontonga Council Chambers of Fezile Dabi District Municipality

### **Component C: Public Accountability and Participation**

Section 18(i)(d) of Municipal Systems Act requires that a municipality must supply its community with information concerning municipal governance, management and development. The act further requires that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance.

During the period under review, public participation was of pivotal importance in decision-making processes of council. The municipality relied on public input and consultation to improve public participation, integrated development plans, budgetary planning and reporting.

#### **1. Public Meetings**

All municipalities within were encouraged to develop and implement public participation monthly programmes. The programmes were facilitated through Ward Committee in various wards.

With the exception of Moqhaka Local Municipality, all municipalities had functional Ward Committee structures although monthly programmes were consistently adhered to and not implemented as scheduled.

The following were identified as some of the dominant challenges that affected effectiveness and efficiency of the implementation of the monthly programmes

- Poor attendance of meetings by communities
- Non availability of resources for public participation
- Municipality not submitting written reports to the DPPSC and PPPSC meetings
- Not all the local municipalities have the monthly public participation programme.

## 1.2 Other Key Public Consultative Initiatives

Despite formal, pre-determined public meetings that were held during the period under review, the following public consultative initiatives and campaigns were embarked upon.

### – ***Anti-crime campaign October to November 2012***

The office of the Speaker of Fezile Dabi District Municipality in partnership with Zamdela SAPS organised Anti-Crime awareness campaign during October and November 2012. This initiative was originally started in 2011 after some community members approached office of the Speaker about crime in their areas.

The campaign started with the media interview of the Speaker and SAPS communication officer to outline the main objective of this programme and to encourage community to partner with police to combat crime in the area. The interview was with LENTSWE and KARABO Radio stations.

Subsequently, the Office the Speaker in consultation with Metsimaholo Municipality, Zamdela and Sasolburg social crime unit convened meeting with all relevant stakeholders to outline the purpose of the campaign and also requested

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SAPS to make presentation about crime statistics. The anti -crime committee was established to finalize the programme and extend invitation to other stakeholders to be part of the programme. These stakeholders included identified local schools, local taverns association, and the community at large.

– ***Public Education***

In August 2012, the office of the Speaker initiated and organized a door to door campaign to educate communities about the importance of payment of municipal services. The Campaign was entitled “Operation Patala “and was launched in Viljoenskroon.

All Councillors in the district were invited to participate. Pamphlets with a message that encouraged the public to pay for the services they consume, were distributed. The campaign culminated into a public meeting that was addressed by the Fezile Dabi District Speaker and the Moghaka Local Municipality Executive Mayor. The event was well attended and very successful. It also partially achieved its objective as the payment of services slightly improved according to the survey that was made a month later.

## **2. IDP Participation and Alignment**

During planning period in the period under review, the Executive Mayor of Fezile Dabi District Municipality supported by all councillors and municipal administration facilitated a series of community and stakeholder engagements to solicit their inputs on the draft Integrated Development Plan and the corresponding MTREF for 2012/2013 which were adopted by Council ~~XXXX~~ **2012** for consultation.

Section 26 of the Municipal System Act, 32 of 2000 as amended requires that the council’s development strategies must be aligned with any national or provincial sectorial plans and planning requirements binding on the municipality in terms of legislation. Details of this required alignment of strategies and programmes was as per the approved IDP for the period under review.

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The table hereunder provides a record of IDP public participation meetings during the 2012/13 IDP review process:

Area	Date	Venue	Time

#### **Component D: Corporate Governance**

Fezile Dabi District Municipality view corporate governance as an effective system of ensuring that the community get value for money through diligence and honesty. It is a system by which our municipality is operated and controlled. This system encompasses a set of rules, processes and laws.

In the course of rendering services to the community, it is therefore important to do so within the parameters of the law, and this can be achieved by connecting corporate governance with legislative risk management as a guideline.

##### **1. Risk Management**

The Accounting Officer has undertaken a significant commitment to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control as required by MFMA.

The municipality has a fully functional Risk Management Unit, is mainly responsible for the implementation of effective risk management as a key element of good governance and rigorous performance management. Risk

management is an integral part of corporate, business planning and service delivery.

During the period under review, strategic and operational risk assessment was performed for all areas within the municipality, risk identification processes were carried out through the interview, discussions and completion of risk management template by management and senior employees.

The following are municipal key focus areas and strategic risks for the period under review:

No.	Key focus area	Strategic risks	Response measure
1	Finance	Change in government funding	Cutting of certain expenditure as per MFMA circular 66 and 67.
2	IT	Hacking/ cracking of IT systems	Authentication required when accessing IT systems (username and password).
3	HR	Exposure to the risk of car accident	Avoid late/ night driving. Additional employment.
4	Finance	Loss of funds due to fraud and corruption	Maintaining clear specification by the end-user.
5	Finance	Insufficient budget allocation for establishment of disaster centre	Ensure sufficient budget allocation for disaster management centre.
6	Legal &	Non existence of air	Ensuring full legal and

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	Compliance	quality management by-law	regulatory compliance on Air quality management.
7	Governance	Failure to be assisted or assist in response to incident scene of neighbouring districts.	Signing and implementation of Memorandum of understanding and service level agreements.

The municipality has maintained continuous monitoring and implementation of control to mitigate material risks. Risk registers were updated for all the departments on a quarterly basis in terms of any changes and progress made on action taken to improve management of identified risks. This process is repeated and reviewed regularly, ensuring that the information remains relevant.

Training on risk management was provided for Mayoral Committee Members, Directors and Risk Champions. The risk assessment report was communicated to the Management, Audit Committee and Municipal Council on a quarterly basis.

## **2. Anti-Fraud and Corruption**

For the period under review, the municipality adopted strategies to combat fraud and corruption in the IDP. The municipality's Internal Audit also plays a pivotal role in the review of 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.

## **3. Supply Chain Management**

For the period under review, the municipality had an approved supply chain management policy which is in line with the MFMA and National treasury regulations. Furthermore; the policy was reviewed to be in line with the Preferential Procurement Policy Framework Regulations of 2011.

The Supply Chain Management unit is appropriately capacitated in terms of human resources and skills. The unit is headed by a senior official who assume the duties of a senior supply chain practitioner.

During the period under review, there were instances where procurement procedures were not followed, which resulted in deviations from the approved policy. However, in comparison with prior periods, Supply Chain Management has reduced deviation due to controls and the workshop of officials.

There were SMMEs road shows held in different local municipalities within the District.

The composition of the bid committees is in accordance with the provisions of the Supply Chain Management Regulations, 2005, and there is regular reporting on the implementation of the policy.

#### **4. By-Laws**

There were no new by-laws introduced in this reporting period. Neither was there any by-laws revised.

#### **5. Publication of information of the municipality's websites**

The municipality's website was functional and accessible throughout the period under review and the table below provides details of important information that was publicised on the website:

<b>Documents to be published on the municipality's website</b>	<b>Published / Not published</b>
Current annual and adjustments budgets and all budget-related documents	Published
All current budget-related policies	Published
The previous annual report (2011/12)	Published
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act and resulting scorecards	Published
All service delivery agreements	N/A
All long-term borrowing contracts	N/A
All supply chain management contracts above a prescribed value (R 100 000)	Published

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An information statement containing a list of assets over a prescribed value that have been disposed on in terms of section 14 (2) or (4).	N/A
Contracts agreed in 2012/13 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	N/A
Public-private partnership agreements referred to in section 120.	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2012/13	Published
Bids and notices adverts	published
Bid register	published

## 6. Public Satisfaction on Municipal Services

No public satisfaction survey was conducted during the period under review.

## 7. Municipal oversight committees

**Details still to follow!**



## **CHAPTER 3**

### ***SERVICE DELIVERY PERFORMANCE (Performance Report Part 1)***

#### **1. Introduction to Performance Report**

The strategic direction undertaken by Fezile Dabi District Municipality is set out in its Integrated Development Plan (IDP). The implementation of the IDP was strategically supported by 2012/13 Medium Term Revenue and Expenditure Framework (MTREF). Following the approval of the IDP and the Budget, the municipality subsequently developed an institutional Service Delivery and Budget Implementation Plan (SDBIP), which effectively gave effect to service delivery objectives contained in the approved IDP.

The SDBIP includes the service delivery targets and performance indicators for each quarter that were linked to the performance agreements of senior management. The SDBIP facilitated performance, accountability and transparency of the municipal administration and managers to the Council and the Council to the community.

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This performance information as detailed in the table below therefore provides a comprehensive account of the performance of the municipality against the performance objectives, indicators and targets as contained in the SDBIP and the IDP for the period under review.

**FEZILE DABI DISTRICT MUNICIPALITY**  
**DRAFT ANNUAL REPORT – 2012/13**

**Performance Report for 2012 and 2013 financial year**

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT</b>											
To enhance human capacity & productivity within the municipality	Implement retention strategy through conducive working environment & acknowledgement of extra-ordinary performance.	Low turnover of staff	Reduced number of personnel leaving the municipality for better benefits elsewhere	Implementatio n of retention policy	0	Operational	Ongoing	CSS	100% Achieved. 5 members resigned. Mr. T Mmole, Mr. P Molepe, Ms A Radebe, Mr. M Mpele & Ms S Letsoalo.		Achieved.
	Promote employee wellness	Health & Productive workforce	Number of employees assisted	Employee Assistance Program	FDDM Officials	R150 000.00	Ongoing	CSS	Achieved. Activity conducted on 27 March 2013. Fire dept taken for counselling during May 2013.		Achieved
			Number of sporting activities held	Internal sport	As per approved schedules & for all employees	R 80 000.00	Ongoing	CSS	Achieved. Activity held on 19 & 21 February and 18 May 2013. Efforts to convene the other meetings were made but the meeting did not materialise.		Partially achieved, number of programmes does not add up to the target.
	Standardization of systems & Policies	Consistency of policy applications	Number of policies	Review of policies when necessary	At least 8 policies	Operational	Ongoing	CSS	100% Achieved. 33 HR Policies 6 Finance Policies		Achieved.
	Provide bursary scheme to employees for further studies	Competent employees	Rate of performance by employees	Internal bursary scheme	FDDM officials, subject to availability of funds	R300 000.00	May/June Jan/Feb	CSS	100% Achieved 6 bursaries awarded in 2013 3 bursaries awarded in 2012		Achieved
To maintain sound labour relations	Effective implementation of recognized collective agreements, applicable legislation &	Healthy & conducive working environment	Compliance with collective agreements legislation & policies	Workshops	All municipalities	Operational	Ongoing	CSS	100% Achieved. Document completed. Acknowledgement letter from dept. of Labour		Achieved

# FEZILE DABI DISTRICT MUNICIPALITY

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT</b>											
	policies Collective bargaining with organized labour on matters of mutual interest at local level	Sound labour relations	Number of meetings	Functional Labour Forum	4 meetings	Operational	Quarterly	CSS	100% - Workshop held on 13 March 2013. Meeting held on 30 April 2013. Meeting held on 15 November 2012, 22 August 2012.		Achieved
To capacitate & support all municipalities within the district for service excellence	The implementation of HRD strategy for short & medium term as framework for current & future skills development tools in municipalities.	Competent employees, Councillors & Ward Committees	Number of employees	Training conducted as per WSP	FDDM		July 2012- June 2013	CSS	100% achieved, employees received training as per the WSP.		Achieved
To capacitate ward committees to be able to align their ward based plan with the IDPs of their respective municipalities	Rollout capacity building program of interventions to provide ward committees with necessary competencies	Aligned ward based plans to IDPs	Number of ward committees trained	Training of ward committees (Subject to adequate funding from GOGTA)	FDDM	R200 000.00		OFTS	100% achieved, in Q2 assessment was done and Q3 training for Ngwathe local Municipality was done.		Achieved
	Institutional assistance to local municipalities	Effective & functional systems	Number of projects	Assistance to local municipality( Capacity building as requested)	All municipalities	Operational	Ongoing	CSS	100% Achieved. 9 delegates from district & local attended GIS Course. LLF members from LM were workshopped. Legal Services assisted Setsoto LM on 20/09/2013, 18/03/2013		Achieved
	Exchange & networking on best practices through relevant IGR structure & alignment of CSS	Stabled & informed communities	Reduces rate of protest & demonstrations by communities	IGR structure engagements	All municipalities	Operational	Ongoing	CSS	100%. Meeting held in March and June 2013		Achieved

**FEZILE DABI DISTRICT MUNICIPALITY**  
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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT</b>											
	activities with the established structures.										
To support municipalities within the district with compliance on the applicable legislation	Establishment of the district legal forum	Reduced litigation cases	Rate of reduction of cases	District legal forum	At least 4 meetings	Operational	Quarterly	CSS	<b>100%. Meeting held in March and June 2013</b>		<b>Achieved</b>
To create skills development opportunities for students & the unemployed in the district	Create a database of student & the unemployed within the district	Employable & marketable student in the district	Number of Learnership, internships, & in-service training	Capacity building of unemployed through Learnership, internships, bursaries and in-service training subject to approval & funding by LGSETA & FDDM	All unemployed students / learners in the district	SETA funding for Learnership	Ongoing	CSS	<b>100% Learnership: Service Provider appointed. Start date of the programme was suppose to be 01 July 2013. Awaiting LG SETA to give approval. Internship: 7. In-service: 4</b>		<b>Achieved.</b>
			Number of Learnership provided with enabling economic environment	EMS Learnership	250 unemployed learners	R8 046 260 LGSETA FDDM & LMs	2011-2013	CSS	<b>100% achieved, Service Provider appointed. Start date of the programme was supposed to be 01 July 2013. Awaiting LG SETA to give approval.</b>	250 target was review by LGSETA. 100 is for EMS. 29 Electrical Engeneering. 70 - Water Management Learnership	<b>Achieved.</b>
To ensure effective & efficient administration	Adherence to service standards (implementation of Batho Pele principle )	Responsive administration	Number of customer satisfactory surveys conducted	Customer Satisfaction survey	One survey for the following (sector departments, communities & local municipalities)			MM	<b>100% achieved IT satisfaction Survey and Payroll satisfaction survey attached, and IGR meetings.</b>		<b>Achieved</b>
			Maintenance of					MM	<b>Not Applicable,</b>	The District	

**FEZILE DABI DISTRICT MUNICIPALITY**  
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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT</b>											
			classified information						the district does not have classified information	does not have classified information; it is the function of the state security Agency.	
	Develop administration strategy & plan		Timeous response to correspondences & queries	Administrative strategy & plan				CSS	100% Achieved. Responses attached.	Deadlines will be met	Achieved
	Compliance & Adherence with Occupational Health & Safety Act	No incidence & injuries	Rate of safety incidents & claims	Occupational Health & Safety implementation	FDDM Workforce	Operational	Ongoing	CHES	Achieved. Only two incidents occurred		Achieved not included in performance plans
	Adherence to code of conduct for staff members as per MSA	No elements of fraud, theft, corruption & mismanagement of assets	Accountable administration & disciplined workforce	Workshop with all the staff	FDDM officials	Operational	Ongoing	CSS	100% achieved, Provincial local government priority committee meeting was held on the 3rd December 2012.		Achieved not included in performance plans
	Compliance with systems & procedures	No elements of fraud, theft, corruption & mismanagement of assets	Accountable administration & disciplined workforce	Workshop with all the staff & Councilors	FDDM officials	Operational	Ongoing	MM	100% achieved, Provincial local government priority committee meeting was held on the 3rd December 2012.		Achieved not included in performance plans
	Restriction of unauthorized entries	A safe & secure working environment	Proper & effective access control	Guarding Services	6 Security personnel	R 150 000	2012-2013	MM	100% achieved appointment of personnel.	9	Achieved.
	Implementation of electronic security system			Business Continuity Planning(Local Municipalities)	4 Security plan	R500 000	2012-2013	MM	40% achieved, SCM processes have been done (bid specification, evaluation and adjudication)		Partially achieved
				ESS Vredefort Dome	4 Access points	N/A	2012-2013	MM	Not applicable	The issue of the structure has to be attended to.	Not applicable

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT</b>											
To render effective & efficient ICT services	All ICT systems are functional & available to users	Secure IT environment	Number updated	Attend to, & implement effective security standards in line with the policies	52 updates	Operational	Weekly updates	FIN	100% achieved, the website is updated on regular basis when there is new information to be uploaded.		Achieved
		Capable in-house IT support	Skilled IT technicians	Attend core IT courses	IT staff	Operational	Ongoing	FIN	100% achieved, IT course was attended by Motsamai.		Achieved
		Standardized specifications for both hardware & software	Number of hardware & software specifications	Convene ICT Steering Committee	4	Operational	Quarterly	FIN	Achieved, 3 ICT steering committee meetings achieved to date.		Achieved
				Development & upgrading IT hardware & software specifications	Applicable hardware	Operational	Ongoing	FIN	100% achieved.		Achieved
		Eliminate duplication of systems	Number of IT software audit	IT software audit	2	Operational	Ongoing	FIN	100% achieved		Achieved
		Alignment of ICT policies with legislation	Number of ICT reviewed ICT policies enabling economic environment	Review ICT policies & implement effective standards in line with policies	At least 4	Operational	2013	FIN	100% achieved, policy has been reviewed.		Achieved

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES											
WATER AND SANITATION											
To support Local Municipalities with the provision of water and sanitation	Assist Local Municipalities financially, technically & administratively with the implementation of water & sanitation projects	Projects implemented & completed on time	Number of completed projects	Provision of VIP's to Farm workers houses	100% of projects implemented & completed	R 3,000 000	July 2012- June 2013	PMU	Project put on hold and it was not approved during the draft budget.		Not applicable
				Sewer reticulation & toilet Structures in Qalabotjha (Mafube)		R4, 000,000	July 2012- June 2013	PMU	Project put on hold - funds transferred to Moqhaka for Outfall Sewer Project. Council resolved		Not applicable, council resolution (Item 36) dated 16/08/2012. Re-allocation of funding of provision of sewer connections and toilet structures to upgrading of sewer outfall at Kroonstad.
				Sewer Yard connections in Gorton for 2400 ervens (Metsimaholo)		R4, 000,000	July 2012- June 2013	PMU	30% achieved, service provider has been appointed but late.		Partially achieved, the target not met.
ROADS AND STORMWATER											
To support Local Municipalities with the provision of water and sanitation	Assist Local Municipalities financially, technically & administratively with the implementation of water & sanitation projects	Projects implemented & completed on time	Number of completed projects	EPWP Rehabilitation of Storm water & Roads Metsimaholo	100% of projects implemented & completed	R 3,000 000	July2012 – June2013	PMU	100% achieved, project was completed on 13/09/2012		Achieved.
				Construction of Storm water culverts in Zuma Park (Ngwathe)		R1, 000,000	July2012 - June2013	PMU	100% achieved, project was completed on 06/11/2012		Achieved.
ELCETRICITY											
To support Local Municipalities with the provision of electricity	Assist Local Municipalities financially, technically & administratively with the provision of electricity	Projects implemented & completed on time	Number of completed projects	Provision of electricity for farm workers	100% of projects implemented & completed	R100, 000	July 2012- Jun 213	PMU	100% achieved, (16 houses have been electrified)		Achieved.
Expanded public work programme (EPWP) R 1 000 000. 00											



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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
<b>SPATIAL PLANNING</b>											
To promote sustainable human settlements	Development of SDF's for the district & local municipalities	Guidelines for schemes & spatial implications for plans	Districts & Local municipalities SDF's	Develop & Review of SDF's for the district & local municipalities	1	R100 000, 00	Jun-13	MM	100% achieved, invoice and copy of SDF attached.		Achieved
	Compliance with relevant planning laws, policies and standards	Administration of applications: By laws, policies & standards	Consistent & guided planning	Organizing training & workshops	Ongoing	Operational		MM	100% achieved		Achieved.
	Protection of natural resources and unique areas / features	Avoided & mitigated negative environmental impacts	Applications received	Evaluation of applications received	Ongoing	Operational		MM	100% achieved, comments on applications received available.		Achieved not included in performance plans
	Evaluation of development applications	Comments for applications approval / non-approval	Number of application received & processed	Feedback to applicants	Ongoing	Operational		MM	100% achieved, comments on applications received available.		Achieved
			Number of sites visit s on development applications					MM	100% achieved (comments made on 3 applications		Achieved
		Provision of personnel assistance to local municipalities	Provision of FDDM town planning personnel to assist local municipalities with projects.	FDDM personnel offering technical assistance	1	Operational	Ongoing	MM	100% achieved,		Achieved
To facilitate Land reform projects	Evaluation of Land Reform Applications through District Screening Committee	Fast tracking of land reform application	Number of farms transferred to beneficiaries	Land reform Programme (redistribution of land)	Ongoing	Operational		MM	N/A for the district	COMPETEN CY OF THE Province	Not applicable.
<b>GEOGRAPHY INFORMATION SYSTEM</b>											
To effectively quantify and prioritize needs service delivery	Implementation of corporate GIS	Relevant data collection from municipalities	Functional corporate GIS	Reliable data sourced from departments & other agents	5	Operational	Ongoing	MM	100% achieved, the District has a functional GIS system. The Steering committee was		Achieved

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
									trained on the 17 April 2013 on SPISYS by the Dept of Rural Development and Land Reform and was trained on 22-26 April on Customized Arc GIS 1&2		
	Uploading of updated data	Clean data SG/Deeds	Availability of GIS data	Auditing data from SG V/S deeds	5	Operational	Ongoing	MM	100% achieved, the District has a functional GIS system. The Steering committee was trained on the 17 April 2013 on SPISYS by the Dept of Rural Development and Land Reform and was trained on 22-26 April on Customised Arc GIS 1&2		Achieved
	Integrate corporate GIS with local municipalities	Infrastructure to connect with LM	Local municipalities connected to FDDM corporate GIS					MM	100% achieved, the District has a functional GIS system. The Steering committee was trained on the 17 April 2013 on SPISYS by the Dept of Rural Development and Land Reform and was trained on 22-26 April on Customized Arc GIS 1&2		Achieved

# FEZILE DABI DISTRICT MUNICIPALITY

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
	Capacity building and training of personnel in the district and local municipalities	Skilled officials to work on the program	Training of relevant officials			2 per municipality		MM	100% achieved, attendance register attached.		Achieved.
<b>MUNICIPAL HEALTH SERVICES</b>											
<b>WASTE MANAGEMENT</b>											
To monitor waste management system	Develop, Update & implement the Integrated waste management Plans	Completed & updated IWMP's ensuring coordinated	Approved & implemented waste management plans	Reliable data sourced from departments	1	Operational	Jun-13	CHES	Not applicable		Not applicable
	Conduct community environmental awareness, educational campaigns & encourage entrepreneurship through re-use, reduction & recycling.	Waste reduction	Number of awareness & educational campaigns conducted on re-use, reduction & recycling	Waste management Educational Awareness campaigns	4	Operational	1 per quarter	CHES	100% achieved, proposals and minutes are available		Achieved
<b>FOOD CONTROL</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Issue all food premises with certificate of acceptability (R918) when complying	Compliant food premise	Number of certificates of acceptability (981) issued	Milk project combined with health & Hygiene education	Ongoing	Operational	Ongoing.	CHES	100% achieved, more than 5 certificates issued.		Achieved.
	Implement food sampling programme at relevant food premises & food manufactures as part of routine & project base	Food sampling programme implemented	Number of food sampling programs undertaken	Bacteriological Sampling at food trolleys for hygienic preparation of food	Ongoing	Operational	Ongoing.	CHES	100% achieved, results of milk samples		Achieved
	Implement health campaign on food safety	Ensure food safety	Number of campaigns on food safety undertaken	Food safety campaigns	Ongoing	Operational	Ongoing.	CHES	100% achieved, 3 food safety campaigns conducted.		Achieved.

FEZILE DABI DISTRICT MUNICIPALITY

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
	Investigate food poisoning cases	Food poisoning cases resolved	Number of food sampling programs undertaken	Ongoing	All reported cases.	Operational	Ongoing.	CHES	100% achieved, one case investigated		Achieved.
<b>SURVEILLANCE AND PREVENTION OF COMMUNICABLE DISEASES EXCLUDING IMMUNIZATION</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Prevent the escalation of communicable diseases	Reduction in communicable diseases	Number of educational campaigns conducted	Educational campaigns	Ongoing	Operational	Ongoing	CHES	2 inspections at clinics in Metsimaholo		Achieved.
	Report on communicable diseases investigation	Reduction in communicable diseases	Number of reported & resolved cases regarding communicable diseases	As and when necessary	As per reported cases	Operational	Ongoing	CHES	100% achieved, 1 case of Rabies has been resolved.		Achieved
<b>MUNICIPAL HEALTH AUXILIARY SERVICES</b>											
<b>ENVIRONMENTAL POLLUTION (AIR QUALITY MANAGEMENT)</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Implement air quality management plan	Compliance with NEMA	Reduced air pollution (concentration) levels	Phased implementation of AQMP	Ongoing	R100. 000.00	Ongoing.	CHES	100% achieved, DEA submitted a report to the department		Achieved.
	Educational projects & awareness programs on air quality management	Highly informed communities on air quality management	Number of educational projects & awareness programmes conducted	Basa njengo magogo	4	R100. 000.00		CHES	100% achieved, 7 projects implemented		Achieved.
	Implement & promote community awareness campaign & educational program to enhance public participation in environmental issues & other environmental health related programmes	Enhance public participation in environmental issues	Number of awareness campaigns & educational programmes through councillors, schools programmes, public meetings, community workshops etc. conducted	Awareness campaign focusing on local communities	Ongoing	R100. 000.00		CHES	N/A for this financial year as the project was conducted in 2011/12		Achieved not applicable
<b>CHEMICAL SAFETY</b>											

FEZILE DABI DISTRICT MUNICIPALITY

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IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Implement chemical safety programs	Reduction in chemical poisoning incidences	Number of incidence organophosphate poisoning & complaints related to chemical safety	Educational & awareness programmes	2	Operational	Ongoing.	CHES	100% achieved, Reports of cases investigated.		Achieved.
	Promote reporting of cases regarding chemical poisoning	Accurate record keeping	Number of chemical poisoning cases received	Investigations/ education on poisoning cases (As and when required)	12			CHES	100% achieved, Poison cases received from health department.		Achieved.
	Implement proper end user education programs at school on chemical safety	Well informed communities	Number of education & awareness programmes conducted	Education & awareness programs	2			CHES	100% achieved, awareness was conducted at Phuleng Primary, Sealogile Primary and Sindekile Primary school.		Achieved.
<b>NOISE CONTROL</b>											
To ensure that municipal health services are effectively and equitably provided in the district	Law enforcement & compliance monitoring	Compliance with noise control regulations	Number of statutory notices issued	Law enforcement & compliance monitoring (complaints, noise measurements )	As and when necessary	Operational	Ongoing	CHES	100% achieved more than 8 notices.		Achieved.
<b>VECTOR CONTROL</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Facilitate, advise & educate on vector control	Informed community on vector infestation	Reduced number of vector infestations cases	Physical & chemical pets control	Ongoing( As and when required)	Operational	Ongoing	CHES	N/A		Not applicable, no reported cases.
<b>DISASTER MANAGEMENT</b>											
To ensure that municipal health services are effectively & equitably provided in the district	Establish an effective disaster management centre	Operational Centre	Installed IMS Emergency communication facility in place. <b>Equipped DOF.</b> Number of critical positions filled.	Disaster management centre establishment	One district centre		2013	CHES	100% achieved, Phase 1 completed, Phase 2: Cyberia appointed to conduct Audit on the		Achieved.

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<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
	Develop and or review disaster plans	Effective response to disaster incidences	Clear documented & updated DM risk assessments. DM Framework & Contingency plans	Disaster management plan review	One	R 300,000		CHES	Communication System Installed 100% achieved, Eurocon appointed to review the disaster risk assessment		Achieved.
	Promote integrated & coordinated disaster management responses through partnerships between different stakeholders through cooperative relations between all spheres of government	Disaster relief measures implemented	Develop guidelines on emergency communication with systematic protocol operation	Joint operations programmes	N/A	Operational	During incidents / disaster outbreak	CHES	100% achieved, auditing of global emergency management command and control		Achieved.
<b>FIRE FIGHTING SERVICES</b>											
Planning, coordination & regulation of the fire services in the district	Coordinate firefighting activities in the district	Effective provision of firefighting services	Number of meetings held	Meeting of the firefighting forum	4	operational	2013	CHES	100% achieved, meetings were held and minutes are attached.		Achieved.
	Development of firefighting function	Capacitated firefighting staff	Number of fire fighters trained	Development programme for (fire fighter)	All fire fighters	R 200,000		CHES	100% achieved, 6 fire fighters trained on 18 - 22 February 2013.		Achieved.
	Purchasing of vehicles, machinery, equipment and materials.	Effective provision of the firefighting services	Number of firefighting equipment purchased	Procurement of firefighting equipment (medium pump firefighting engine)	3	R1, 400 000.00		CHES	100% achieved, equipment was purchased for Ngwathe in 2011/12 financial year.		Achieved.
				Renovation of the firefighting station at Mafube local municipality	120 Square meters	R1, 500 000.00		CHES	100% achieved, project was completed in 2011/12 financial year		Achieved not applicable, the contact was completed during 2011/2012 financial year.
				Purchase of		R 100,000		CHES	100% achieved,		Achieved

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<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
				furniture & equipment					GYM equipment was purchased.		
<b>HIV/AIDS</b>											
To contribute towards the reduction in the prevalence of HIV/AIDS in the District	Develop effective governance system	Compliance with the HIV and AIDS NSP (2007-2011)	No. of meetings held	Functional DAC	All government departments and sectors within the district	R50 000	Jun-2013	OTEM	25% achieved, only one meeting was held.		Partially achieved.
	Facilitates submission of sector plans by all sectors	Multi-sector plan developed	No of sectors plans submitted	FDDM multi-sector plan			June 2013 one sector plan	OTEM	Not applicable		Not applicable
	Facilitate Submission of sector reports	Multi-sectoral report consolidated	No of sectoral report submitted	Multi-sectoral report consolidated				OTEM	Not applicable		Not applicable
	Facilitation of information session workshop with all FDDM departments	Informed FDDM departments Compliant FDDM departments with the framework	No of mainstreamed items with HIV and AIDS within FDDM departments	HIV and AIDS mainstreaming Within FDDM departments	10% @ every municipal	as per department	Ongoing	OTEM	Achieved		Achieved.
	Develop high profile campaigns utilising peer influence to promote HIV testing and disclosure	Informed communities Changed attitudes and behaviour	No of high profiled campaigns held	Youth – Dialogues	1 campaign per cluster municipality 4 per district	R500 000	Jun-2013	OTEM	Achieved.		Achieved.
				Men-Dialogues and testing	1 campaign per cluster municipality 4 per district		Jul-13	OTEM	Achieved		Achieved.
				Women-Dialogues and testing	1 campaign per cluster municipality 4 per district		Aug-13	OTEM	Achieved		Achieved.
				People with disability	1 per district			OTEM	Achieved		Achieved.
	Strengthen HIV prevention programmes in schools	60% informed learners within the district Strengthened HIV prevention programmes within schools	No of awareness campaigns held	School Awareness Campaigns	4 schools per cluster	R200 000	Sep-12	OTEM	Not applicable	Not Budgeted for this FY	Not applicable

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<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
	Ensure incremental roll-out of comprehensive customised HIV prevention package in prisons including access to HCT and condoms	90% of services received by inmates Increased no. of inmates willingness to test for HIV	No of awareness campaigns held; No. of male condoms distributed; No. of promotional material distributed; No. of inmates reached	Inmates HCT-Awareness campaigns	All inmates within the district; 5 prisons	Operational	July 2012-June 2013	OTEM	<b>Not achieved</b>		<b>Not achieved.</b>
	Ensure Incremental roll out of comprehensive customised prevention packages for sex workers and their clients by distributing at high risk areas.	Informed sex workers; Willingness to test for HIV; Increase no. of sex workers receiving prevention packages	No of male and female condoms distributed; No. of promotional material distributed	SEX Workers Awareness campaigns	Sex workers within the district; 3 high risk areas	Operational	July 2012-June 2013	OTEM	<b>Partially achieved</b>		<b>Partially achieved.</b>
	Facilitation of comprehensive prevention package for workplace based intervention	Informed work force; Increased willingness to test	No of IEC material distributed; No of HCT material distributed; Male and female condoms distributed	EAP: HIV and AIDS Awareness Campaign	Municipality employees within the district	Operational	July 2012-June 2013	OTEM	<b>Achieved</b>		<b>Achieved.</b>
	Facilitation of HIV and AIDS Workplace	Informed employers; Compliant employers with HIV and AIDS relevant policies and guidelines	No. of companies reached	EAP Workshop- HIV and AIDS (SABCOHA)	50% of companies within the district	R50 000	May-12	OTEM	<b>Achieved</b>		<b>Achieved.</b>
	To ensure implementation of an integrated multi-sector plans at district level	A well-coordinated World AIDS day	No of communities reached	World AIDS Day - Celebration	50% of the community within the district	R600 000	1 <sup>st</sup> Dec 2012	OTEM	<b>Achieved</b>		<b>Achieved</b>
	Facilitate training on guidelines for infection control	Informed Caregivers; Compliant	No. of training sessions held; No. of caregivers trained	Care givers workshop on guidelines for	All NGO's within the district: training session	R120 000	Quarterly	OTEM	<b>Not achieved</b>		<b>Not achieved.</b>



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<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
		Caregivers with prescribed guidelines		infection control	per local municipality; 4 training session within the district						
	Facilitate training workshops for traditional health practitioners	Informed traditional Healers; Compliant Traditional Healers with prescribed HIV and AIDS guidelines	No of training session held; No of traditional Healers reached	Traditional Healers Workshop	50% of all traditional Healers within the district: (1/per local municipality or 4 per district)	R120 000	Quarterly	OTEM	Achieved, Workshop conducted in May 2013.		Achieved.
	Strengthen support to PWA and attitude change	Distigmatisation of HIV and AIDS;	No of people reached	Candle light Memorial	1 Candle light Memorial	R 300,000	2012	OTEM	100% achieved, candle light memorial done on the 13 June 2013.		Achieved.
		Strengthened support to PWAs	No of people reached	Red Ribbon Month	As per municipality	R 200 000	2012	OTEM	Not achieved		Achieved.
	Mobilize resources for HIV and AIDS related matters	Resource mobilized for NGOs as per need analysis	No of NGOs benefited	FDDM HIV and AIDS benefit Jazz Festival	20 NGOs beneficiaries	R2 000 000	2012	OTEM	100% achieved, handover ceremony was done on the 26 November 2012		Achieved.
			No of companies pledged as part of their social responsibility towards HIV and AIDS	Companies pledges as their social responsibility towards HIV and AIDS	10 NGOs as beneficiaries	Operational	On going	OTEM	Achieved		Not achieved.
	Coordination of CHBC as part of EPWP	Caregivers receiving nationally determined stipends; Compliance to legislative requirements – HBC stipends	No. of Caregivers receiving stipends	CHBC as job creation	All Caregivers affiliating to registered NGO's within the district, has a 1:10 ratio (1 caregiver : 10 patients) & (Their NGO is submitting reports to DOH	Operational	Ongoing	OTEM	N/A	Responsibility of the department of health	Not applicable

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<b>KPA 2: INFRASTRUCTURE DEVELOPMENT AND SERVICES</b>											
		Capacitated Caregivers with basic home base care training (59days)	No of Caregivers capacitated; No of Caregivers received HBC/CHBC certificates	Basic Home Based Care Training for Caregivers	70% of all Caregivers within the district or DSD)	R1 200 000	Quarterly	OTEM	<b>Not achieved</b>		<b>Not achieved</b>
	Coordinate processes of tracking OVC and child-headed households within the district	Compliance with OVC policy and programmes.	No of OVC and child-headed households receiving grants and social services at local level.	OVC and Child-headed household within the district receiving legible grants	50% of OVC and Child headed households within the district	Operational	Ongoing	OTEM	<b>Not achieve</b>	Responsibility of the department of Social Development.	<b>Not achieved.</b>
To develop a functional and uniform administrative system within the district	Facilitate synergy within the district	Existence of a functional and a uniform administration within the district; Well managed HIV and AIDS programs within the District	No of coordinators meeting held (Disseminating information from Province to Local and vice versa)	Uniform and functional administration within the district	HIV and AIDS Coordinators from all municipalities within the district	R30 000	Bi-monthly	OTEM	<b>Not Achieved,</b>	LM to appoint coordinators	<b>Not achieved.</b>
	Submission of monthly and quarterly reports to the office of the Executive Mayor	Informed intervention strategies; effective fight against HIV and AIDS	No of monthly reports and Quarterly reports submitted (Inclusive of district statistics)	Advice government on HIV and AIDS related matters within the district		Operational	July 2012-June 2013	OTEM	<b>Not achieved</b>		<b>Not achieved.</b>

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
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## KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)

## LOCAL ECONOMIC DEVELOPMENT

To create an environment that stimulates the local economic growth	Develop a Tourism Sector Plan in conjunction with all key stakeholders	implementable sector plan and an Investment Portfolio	Facilitation of the development of tourism sector plan & investment portfolio	Development of a tourism sector plan	1 tourism sector plan	R 500 000, 00	Jun-13	LED	90% achieved, the service provider has been appointed, an inception meeting was held with then service provider.	Fast track the tabling of the Sector Plan to council.	Partially achieved, work in progress.
	Involve all business sectors in the district to identify the areas that can be developed for economic growth	An interactive plan identifying the economic development growth areas	Number of LED Forum meetings	LED Forum meetings	4	Operational	Quarterly	LED	Four meetings were convened and two LED forum meetings were successfully held.		Achieved
	Enhance working relations between formal and informal business sectors to promote PPP	PPP establishment	Number of established public private partnership per municipality	Facilitation of PPP	1	Operational	Ongoing	LED	100% achieved (Rand Water) MOU applicable for 5 years.		Achieved.
	Link with cross boundaries development corridors i.e. steel and industrial development	Effective interrelations with Corporate companies	MoU signed with different Corporate companies across the border	IGR	One company	Operational	2012 -2013	LED	100% achieved (Rand Water) MOU applicable for 5 years.		Achieved.
	Establishment of Economic Development Agency	Operational Fezile Dabi Economic Development Agency (FEDEDA)/ Project Management Committee	Facilitation of the establishment of the agency	Establishment of economic development agency	Developed economic agency	Operational	Developed economic agency	LED	N/A (IDC) no longer funding.		Achieved not applicable
	Integrate all LED projects at district level ensuring the participation of all sector departments : CoGTA; Agriculture; Economic Affairs;	Integrated LED plans	Number of interactive sessions with Local Municipalities	Development of integrated LED plans	4 Session	Operational	Ongoing	LED	100% achieved, 4 sessions were conducted, cooperatives registration in Mafube, Cooperatives info session, Moqhaka info session and Agricultural info session		Achieved.

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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
<b>KEY SECTOR : AGRICULTURAL DIMENSION</b>											
To develop emerging farmers into the mainstream of farming	Identify opportunities in the agro-processing of products	Profiled agro-processing business opportunities	Number of reports for agro-processing businesses	Development of agro-processing profile	1 PROFILE	operational	2013	LED	100% achieved Koppies greenhouse profile.		Achieved
	Facilitate the development of emerging farmers into the formal sector	Active sorghum growing cooperative	Formalization for sorghum growers cooperative	Sorghum growing	1 cooperative	R 600,000		LED	Not applicable		Achieved Not applicable
	updating of the database	Database of available commonage land in the four LM.	Interaction with LMs and DoA	Database of commonage land	1 Database	Operational		LED	100% achieved 2 meetings were held.		Achieved.
<b>KEY SECTOR: SMME's</b>											
To promote & enhance the SMME sector in the district	Link the SMMEs with all supporting government agencies and programmes	Access to government agencies and participation in programs	Referrals to relevant agencies	Assistance to SMME through agencies	Referrals as and when necessary	Operational	Ongoing	LED	100% achieved, 12 SMME's have been assisted		Achieved
	Provision of sustainable programs / after care for SMME's	Sustainable programs for SMME's	Number of programs	Workshops and road shows	1 workshop per municipality	Operational	Ongoing	LED	100% achieved, road show was conducted in all 4 local Municipalities.		Achieved.
	Provision of support to the existing SMMEs	Stable and effective SMME's business environment	Number of registered in the scheme	Entrepreneurial Support System	25 SMME's	R 600,000	1-Jun-13	LED	100% achieved, 16 registered in the ESS.		Achieved.
	Compilation of a business plan and application for funding	An approved business plan and funding	A business plan and an application for funding	Business plan for a Recycling centre	1 approved business plan	External funding	12-Oct	LED	N/A		Achieved Not applicable
<b>KEY SECTOR: SPORTS</b>											

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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
To plan, coordinate & support Sports, Arts & Culture	Strengthen relations with Dept. Sports Arts and Culture for implementation of sports development plan.	Appropriately funded and co-ordinated sports programmes	Number of activities coordinated	Implementatio n of sports programmes and plans	As per sports plans	Operational	13-Jun	LED	100% achieved, have recruited mountain biking team, powerboat racing. Selection and training camps were conducted.		Achieved
	Exposure of youth to new opportunities in sports.	Rural youth participating in adventure sports	Identification of adventure sport and train selected youth	Development of youth in adventure sports.	10 youth participants per 1 adventure sport		Ongoing	LED	100% achieved, have recruited mountain biking team, powerboat racing. Selection and training camps were conducted.		Achieved.
		Well coordinated OR Tambo Games	To meet the prescriptions of OR Tambo Games	To host or participate in OR Tambo games	OR Tambo games	R 150,000 R 300,000	Annual event	LED	100% achieved the OR Tambo report is attached.		Achieved
	To develop sports in the local and rural areas	Empowerment of rural schools sports	Improve sports in rural areas	Sports Development in rural areas	4 Local municipalities	R 150,000	Ongoing	LED	100% achieved.		Achieved.
<b>COMMUNITY DEVELOPMENT (Social Development)</b>											
To support and provide interventions and assistance to CBO's and self help groups	To improve food security for the poor and alleviate hunger	Sustainable food security projects	Number of food security projects	Food security and self-help projects	1 food security projects per LM	R 250,000	Quarterly	LED	100% achieved, Solnjo, Shangulashu, Joint veg, study group, Thalitha Kum		Achieved.
To improve the conditions of the early childhood development centres.	Conduct needs analysis on ECD's	Analysis report on ECD's	Number of meetings conducted for needs analysis	Meetings and road shows	1 report	Operational	Ongoing	LED	100% achieved, needs analysis for ECDs is completed.		Achieved.
	Provision of assistance to improve the	Safe and Resourced ECDs	Number of resourced ECD's assisted	Capacity building programme	4 ECD's ( 1 per Local Municipality)	R 100,000	Ongoing	LED	100% achieved, 4 ECDs were assisted		Partially achieved, number of activities does not add up to the

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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
	conditions of the early childhood development centres			and provision of ECD learning aids and equipment.							target.
	Development of the ECD's database	Up to date ECD's database	Collection and consolidation of ECD's information from Stakeholders	Creation of the ECD's database	1 up to date database	Operational	12-Sep	LED	Updated database for ECD's is available		Achieved.
To sustain Arts And Culture	To provide support to the Municipal Theatres	Functional and active Municipal Theatres	Allocation of annual funding to Municipal theatres	Municipal Theatre support	1 municipal theatres	R 60,000	Ongoing	LED	No request was received; this grant is disbursed on application from the theatres.		Partially achieved.
	Develop and implement programmes to assist amateurs to reach professional level.	Professional performing artists	Number of enrolled local performing artists in academic institutions	Empowerment of local artist	1 Group (Sopranos)	R 50,000	Ongoing	LED	100% achieved, 5 youth have been enrolled in the Conservatoire		Achieved.
	Exit strategy for Artists in training	Less dependency of professional performing artists on FDDM	Purchasing of required equipment for artists	Exit package	1 Sound system package	R 50,000	13-Jan	LED	Not applicable		Not applicable.
	Regional Performing Arts development	Developed and resourced performing artists	Number of groups to be assisted	Financial assistance to identified performing groups	6 performing groups	R 200,000	Ongoing	LED	100% achieved, Haramba, DJ Nority, Dups & Duks, Achimota, Beauty of Nature, SKF Production.		Partially achieved, number of performing groups does not add up to target.
<b>KEY SECTOR: TOURISM</b>											
To promote tourism in the FDDM	Customer Service Awareness training	Good customer service in tourism industry (Regional)	Number of awareness trainings provided	Customer service	2		30 Sep,30 Jan and 31 Mar 2013	LED	Not applicable		Not achieved, no evidence attached.

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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
	Promoting high standard of product offering	Graded facilities	Number of establishments graded	Grading of facilities	At least 5 B & B's	R 200,000	Ongoing	LED	100% achieved, grading has been completed and report from grading council has been submitted to the department		Achieved.
	Assistance to emerging tourism product owners with promotional material and exhibitions	B&B's having their brochures and marketing material	Number of B&B's assisted	Assistance to emerging B&B's	5 above	R 100,000	Ongoing	LED	50% achieved, the service provider has been appointed and is on site		Achieved.
	Advertising in selected publications	Information on district offerings	Number of adverts placed	Marketing and promotions	2 adverts	R 50,000	Ongoing	LED	100% achieved, adverts are placed in Explorer magazine in September and March issues.		Achieved.
	Installation of Tourism signage	Adequate signage to facilities	Number of tourism signage	Installation of signage	As per needs analysis	R 150,000	Sep 2012 to Apr 2013	LED	100% achieved, Vredefort Dome was completed in 2011 and Riemland route was launched.		Achieved.
	Promotional Tourism Shows	Increased number of visitors (Tourists)	Number of shows attended	National and International Tourism shows	1 Domestic Shows and 1 International shows	R 200,000	September and November 2011, March and May 2012	LED	100% achieved, the gateway show and the international indaba were attended in August - September 2012 and May 2013.		Achieved.
	Community participation in tourism initiatives	Effective community participation in tourism	Number of awareness campaigns and consultation meetings with the communities	Awareness Campaigns and Meetings.	4 Campaigns ( 1 per LM)		Quarterly	LED	Achieved, two campaigns were conducted in May 2013 and 28 October 2013.		Partially achieved.

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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
		New tourism products	Number of tourism products	Tourism product development	Vredefort Heritage Route	R 400,000	Ongoing	LED	100% achieved, Vredefort Dome was completed in 2011 and Riemland route was launched.		Achieved.
	Development of the Scientific exhibition centre at the VDWS Gateway	An operational gateway centre with scientific exhibition	Appointment of staff. Installation of exhibition material.	Vredefort Dome Centre	4 Personnel appointed and installation of all exhibition material	R1,5 m	Jul 2012 - Jun 2013	LED	1 staff member was appointed for Vredefort Dome.  The centre is not yet handed over by National Dept. Of Tourism, not yet declared fit for Human consumption and not yet operational.		Achieved
	Landscaping of the VDWS premises	Exotic gardens at VDWS	Planting, greening and irrigation at the VDWS	Landscaping	Vredefort Dome Centre Premises	R1,3 m	Ongoing	LED	Landscaping project is undertaken by DETEA.  The project is linked to the Vredefort dome centre and project is to be performed by DETEA.	This matter has been referred to National Department of Tourism for intervention	Achieved
	Assistance and development of Local Tourism Organizations to enable them to drive tourism in local areas	Sustainable LTOs	Number of briefing sessions and contact meetings with LTOs	Assistance to Information Offices operated and managed by LTO's	3 Briefing sessions	Operational	Ongoing	LED	Achieved, only two sessions were conducted.		Partially achieved, performed activities do not add up to the targeted number.
	Distribution and dissemination of tourism information at strategic points	Operational tourism information centres	Constant supply of tourism information at Highway Offices	Distribution and dissemination of tourism information at	2 Highway Offices	R 100,000	Ongoing	LED	100% achieved, only one highway is functional.		Achieved.



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<b>KPA 3: LOCAL ECONOMIC DEVELOPMENT (LED)</b>											
				Highway Offices							
	Upgrading of municipal resorts	High quality and well serviced resorts	Provision of assets and equipment for resorts	upgrading of municipal resorts	1 Resort	R 600,000	As per applications from Local Municipalities	LED	30% achieved, a quantity surveyor has been appointed  The bill of quantity has been concluded.		Partially achieved, work in progress.
	Annual Tourism and Heritage Awareness Campaign	Tourism conscious communities	Mobilization of communities	Tourism Month celebration	1 Celebration	R 200,000	12-Sep	LED	100% achieved, this was completed in October 2012.		Achieved.

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<b>KPA 4: FINANCIAL VIABILITY AND MANAGEMENT</b>											
To provide financial management services that enhance viability and compliance with the requirements of MFMA and other relevant legislation To account, safeguard, maintain and repair assets of the municipality	Implementing sound management of budgets to avoid irregular, unauthorized, fruitless and wasteful expenditure	Prudent financial management	Number of monthly reports submitted to Management and Finance Portfolio Committee	Submission of monthly reports	11	Operational	Monthly	FIN	100% achieved, monthly financial reports submitted to all finance portfolio committee meetings and management.		Achieved
	Compliance with GRAP standards and other applicable standards in preparation of financial statements.	GRAP compliant Annual Financial statements	% compliance with GRAP	GRAP Implementation	100%	Operational	31-Aug	FIN	Already 100% compliant - Financial Statements 2011/2012 submitted.		Achieved.
	Timely adoption and implementation of Service delivery and budget implementation plan (SDBIP)	Alignment of Budget & SDBIP to ensure audit of performance information			100%	Operational			100% achieved full implementation of GRAP standards. Finance staff also attend IMFO GRAP summit.		Achieved.
	All officials involved in the procurement process signs code of conduct for SCM	Corruption free environment	Number of code of conduct signed	Signing of code of conduct	All new employees involved in SCM	Operational	Ongoing	FIN	100% achieved, all employees in finance signed the code of conduct.		Achieved.
				Maintenance of gift register	All recipients of gifts	Operational	Ongoing		In place being kept in the office of the Municipal Manager.		Achieved Not included in performance plans
	Review of financial policies and procedures	Improved internal controls	Reviewed Controls	Review of policies and internal controls	2	Operational	28-Feb	FIN	100% achieved, internal measures existing in the directorate were reviewed. Procedure manual available		Achieved.

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<b>KPA 4: FINANCIAL VIABILITY AND MANAGEMENT</b>											
	Compliance with the reporting requirements of MFMA sec 71, 72 and SCM regulations	Municipal Accountability	Number of reports	Submission of reports	12 x Sec 71; 1 x sec 72; 4 x SCM reports	Operational	Monthly, Bi-annually / Quarterly	FIN	100% achieved, All regulated/legislated financial reports (sec 71 etc submitted to relevant stakeholders (Treasury, CoGTA etc) with required timeframes.		Achieved.
	Maintaining an effective Payroll management system	Payment of salaries and benefits paid accurately and on time	Number of payroll transfers	Payment of salaries	12	Operational	Monthly	FIN	100% achieved, all monthly payroll transferred were done timeously.		Achieved.
	Creditors are paid within stipulated time frames.	No interest on late payments	Number of complaints and Interest paid	Payments of creditors as they fall due	0	Operational	Ongoing	FIN	100% achieved, refer to KPA 4 file Ref. B		Achieved.
	Timely procurement of quality goods and services.	Value for money	% budget spent	Procurement of goods and services	100%	Operational	Ongoing	FIN	100% achieved.	Departments must spend and submit their procurement plans	Achieved
	Financial planning is aligned with DoRA (ES, MSIG, etc.)	Credible budget and funded budget	Number of activities	Budget preparation	As per budget process plan	Operational	30-May	FIN	100% Achieved, Budget process plan 2013/14 done.		Achieved
	Compliance with Supply chain management policies and regulations.	Transparent and fair supply chain management practices	Amount of irregular & fruitless expenditure	Procurement of goods and services	0	Operational	Ongoing	FIN	100% achieved		Achieved
To account, safeguard, maintain and repair assets of the	Maintaining the Municipal Asset register.	GRAP compliant asset register	Number of asset count	Updating of the asset register/ inventory - Asset count	2		30-Jun	FIN	100% achieved, asset register is updated.		Achieved.

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 4: FINANCIAL VIABILITY AND MANAGEMENT</b>											
municipality.	Functional Municipal Asset disposal committee	Disposal of unused or inefficient assets	Number of meetings	Operational	2	Operational	30 Sep & 29 Feb	FIN	100% achieved, meetings of the asset disposal committee were held. There was no need for meetings to be convened as there were no issues to be discussed.		Partially Achieved.
	Full implementation of the asset management policy	Prudent financial management	% assets accounted	Updating of the asset register/ inventory	100%	Operational	Ongoing	FIN	100% achieved, all the assets were counted.		Achieved
	Safeguarding of municipal assets	Reduce the risk of assets missing/stolen/damaged	Number of security guards on duty	Security for Buildings	5 per day	provided/ Operational	Ongoing	MM	100% achieved six security guards on duty.		Achieved.
	Fully insuring municipal assets	Cover against damage and unexpected loss	% of assets insured	Short term insurance	100%		31-Jul	FIN	100% achieved, all council assets insure with credible insurers		Achieved
	Assets are maintained and repaired to be economically useable	Availability of assets at all times	% budget spent	Repairs and maintenance	100%		Monthly	FIN	100% achieved, all the requisitions for assets repairs and maintenance were processed. The expenditure in this line item is determined by the need.		Achieved
	Accountable investment in municipal assets	Prudent financial management	% monthly cash surplus	Investments of funds	At least 60%	Operational	Monthly	FIN	100% achieved, report on monthly surplus were produced and submitted to relevant committees.		Achieved.

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
KPA 4: FINANCIAL VIABILITY AND MANAGEMENT											
To provide technical and financial assistance to local municipalities	Provision of hands on support to Local Municipalities	Capacity building and clean audit reports	Number of municipal visits	Financial support and compliance	16	Operational	bi-monthly	FIN	100% achieved, ( visits to local municipalities in the form of meetings were conducted)		Achieved
	Funding of financial projects that are aimed towards achieving clean audits by 2014 and towards improving the revenue base		Number of projects with impact	Review of financial policies; Development/ Review of internal controls; Operation clean audit	At least 1 project in 2 LM		30-Jun	FIN	100% achieved, meetings were convened to provide financial management.		Achieved
				GRAP implementation & Financial Statements					100% achieved full implementation of GRAP standards. Finance staff also attend IMFO GRAP summit.		Achieved.
				GRAP implementation & Financial Statements					100% achieved full implementation of GRAP standards. Finance staff also attend IMFO GRAP summit.		Achieved.
				Revenue enhancement						Not included in performance plans (not the competence of the district)	
To comply with all the requirements of the grants and loans	Compliance with Grant reporting requirements and conditions (DoRA, MSIG, FMG ES)	Improved accountability	Number of reports	Submission of grant reports	12	Operational	Monthly	FIN	100% achieved, MSIG reports submitted		Achieved

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 4: FINANCIAL VIABILITY AND MANAGEMENT</b>											
	Adherence to the repayment conditions of loans		Number of full instalments/repayments	Payment of loan instalments	2		July & Dec	FIN	100% achieved, all loan payment were done as per the schedule.		Achieved.

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
To ensure the development/ review of credible IDPs in the district and local municipalities	Development and compliance/ adherence to IDP framework	Number of engagements with stakeholders	Aligned IDP processes	IDP Manager's forum meetings/workshops, IDP awareness campaigns/conference, IDP Rep forums, IDP Steering Committee meetings. Development of sector plans, IDP Public Participation	As per IDP processes,	R 1,500,000	Ongoing	MM	Achieved, Rep forum was postponed due to poor attendance	Invite stakeholders well in advance	Achieved
	To facilitate IDP processes and to ensure compliance with relevant legislations and policies	Number of meetings/ workshops within municipalities and communities. Number of sector plans developed	Reliable and credible IDPs				Ongoing	MM	100% Achieved, Public participation was conducted in Nov 2012, IDP steering committee was held in March 2013.		Achieved.
To support and ensure the implementation of Performance management System in the District	Develop performance plans for the organization, departments, section 57 managers and line managers	Number of performance plans	Effective and efficient performance management system	Alignment of performance plans to IDP and SDBIP	6 x Departmental Plans & sec 56 and 57 plans	Operational	30-Jun	MM	100% achieved, draft performance plans and agreements were developed for the 2013/14 financial year		Achieved
				Cascading PMS to line managers and staff within the	Plans for each employee	R 400,000	Ongoing	MM	PMS has been cascaded to line managers, level (1-3)		Achieved.

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
				municipality							
	Monitoring and reporting of performance information	Number of performance evaluations	Reports submitted to Council	Preparation of Quarterly, Mid Year and Annual Reports	4	Operational	Quarterly; Midyear; Annually	MM	100% Achieved, reports were tabled in Council on the 29th Jan 2013.		Achieved
				FDDM Annual report	1	R 500,000	Ongoing	MM	100% Achieved		Achieved.
	Auditing of reported performance information	Number of performance internal audit reports	Audited performance information	Internal audit (Performance)	4	Operational	Quarterly	MM	75% achieved the mid-year and the third performance reports have been submitted to council and to the audit committee. 4th is work in progress		Partially achieved, first quarter performance information report was not audited due to non submission.
To provide information through ICT and to improve the corporate image of the municipality.	The District website is updated regularly	Number of updates	Up to date websites	Updating of the website	26 Updates	Operational	Bi-Weekly	MM	100% achieved, updates are done monthly		Achieved (reference to finance)
To assist Local Municipalities in providing information through ICT.	Local Municipalities' websites comply with the legislative reporting requirements.	Number of compliance reports	Number of reports to CFO Forum where non compliance was detected.	Website audit	4 reports	Operational	Quarterly	FIN	100% achieved, CFO forum meetings were held.		Achieved
To support and capacitate Councillors, ward committees and community development workers in enhancing local government	Regular workshops and training with the view of capacity building	Number of Workshops and conferences conducted	Effective public participation efforts	Outreach Programmes				OFTS	100% achieved, workshops were conducted for quarter 1 and 2.		Achieved
				Speaker's Imbizo				OFTS	100% achieved, all 4 local Municipalities attended the imbizo in		Partially achieved

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
performance									Viljoenskroon.		
				Ward Committee Conference/In daba				OFTS	Not achieved, funds were utilised for the budget road show.		Not applicable.
				Ward Committee In-House Training				OFTS	100% achieved, in Q2 assessment was done and Q3 training for Ngwathe local Municipality was done.		Partially achieved, as one municipality out of four municipalities.
				Capacity building of Community Based Organisations				OFTS	Not applicable		Not applicable
				District Managers (PA's to Speakers)				OFTS	100% achieved, three meetings were held.		Achieved
				DPPO's Steering Committee workshops/me etings				OFTS	100% achieved, only one meeting was held.	Intervention of managers and Speakers.	Partially achieved, target not met.
				Public/Civic Education/Hearing				OFTS	50% achieved.		Partially achieved.
				District CDW Conference				OFTS	Achieved report on terms of reference completed.		Achieved Not applicable
				Facilitation of the formation of street committees				OFTS	100% achieved, street committees were formed		Achieved Not applicable



# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
				induction of ward and street committees				OFTS	Not applicable		Not applicable
				Imvuselelo campaigns or ward meetings				OFTS	Achieved report on campaigns conducted is attached.		Achieved Not applicable
				back to school campaigns and know your service rights				OFTS	Achieved,		Achieved
				Stakeholder Summit				OFTS	100% achieved, Stakeholder summit was held		Achieved.
				2. Workshops for councillors. (All councillors FDDM and those seconded)				OFTS	100% achieved, workshop was conducted for all councillors who sit in the FDDM council.		Achieved
	Hold conferences for both ward committees and CDW's to share experience and best practices.	Monthly reports to the DPSSC	Improved research and reporting	3. Conference s for both ward committees and CDW's				OFTS	100% achieved, workshop of PPO's and CDW was conducted.		Achieved.
	Supply of material resources to CDW's and ward committees (stationery)			Monthly meetings of ward committees and CDW's				OFTS	60% achieved, workshop of PPO's and CDW was conducted.		Partially achieved, target not reached.
				Marketing	Print and radio	300,000	Ongoing	MM	75% achieved radio slots are attended to for marketing FDDM events.	Cooperation of Radio Stations. Present the produced material in advance.	Partially achieved, there were instances where radio slots were not used due to unavailability of the intended guests. Non-cooperative of other stakeholders.

**FEZILE DABI DISTRICT MUNICIPALITY**  
**DRAFT ANNUAL REPORT – 2012/13**

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
	Publication of District newsletters	number of issues		Issues of Fezile Dabi news	At least 6 Issues published	300,000	Bi-monthly	MM	75% achieved, 6 issues have been issued.		Partially achieved, number of newspaper issues against target.
To streamline municipal communication & align programs with other municipalities.	Assisting with the establishment of local Communications Forum	Number of meetings programmes held	Adopted program of action for the District Communicators Forum	Monthly meetings of Local communicators forum	12	Operational	Monthly	MM	Achieved local communication forum were held.	The Lekgotla that set in Parys was the broader forum. Resolution coming from the Lekgotla was that GCIS will be hands on to resuscitate.	Partially achieved.
To strengthen a meaningful community participation & interaction program	Mobilization of communities for Budget and IDP campaigns (Speaker office).	Improved attendance of communities to the campaigns	Effective public participation, credible budget and IDP process (documents).	Public participation	4	Operational		OFTS	Achieved, campaigns were conducted for Q1 and Q2.		Achieved
	Regular meetings for all stakeholders, i.e. civics, NGO's, CBO's and ward committees on government programmes	Improved and functional relationship between these structures	Number of meetings held.	Needs assessment	4 Meetings	Operational	Quarterly	OFTS	75% achieved, three meetings were held.		Partially achieved, target not reached.
To celebrate our historical Heritage and commemorate our Maokeng Day	Form a task team with concerned Local Municipality and plan in order to carry out the programme as intended.	Create awareness on our historic days regarding our democracy and successful hosting of the event within the community of Maokeng/Moqhaka and Fezile Dabi	Better understanding of our heritage and our rich history	Hosting of Maokeng Day	5000 people in attendance	R50 000, 00		OTEM	Achieved		achieved
To encourage culture of learning and have students registered with tertiary institutions	Give financial assistance to the needy learners who have not been able to get bursaries for their tertiary studies	Attract and enrol grade 12 learners who qualify for admission at tertiary institutions so that they can	Increased number of black students who register at tertiary institutions and ultimately obtain formal qualifications to go into	Tertiary funding registrations	200 students whose parents are unemployed or earn less than R5 000,00	R300 000,00		OTEM	58 out 200 students were assisted due to budgetary constraints.		Achieved.

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
		register to study at tertiary institutions	the job market								
	Give full bursaries to the needy learners who have obtained an aggregate of C symbol and have not been able to get bursaries for their tertiary studies	Attract and enrol grade 12 learners who qualify for admission at tertiary institutions so that they can register to study at tertiary institutions	Increased number of black students who register at tertiary institutions and ultimately obtain formal qualifications to go into the job market	External bursary Scheme	8 to 10 students with minimum of C symbol per year whose parents are unemployed or earn less than R5 000,00	R800 000,00	12-Mar	OTEM	<b>100% achieved, list of grade 12 learners assisted with bursaries is available</b>		<b>Achieved.</b>
To encourage culture of learning and restore dignity to the learners. To have young learners in school	Purchase school uniform and school shoes for the learners. Officially hand over these school uniform and shoes	Give dignity to learners and encourage the learners to study hard and succeed in life	Motivated, encouraged and dignified learners who go to school and pass their studies	Back to school campaign	200 Rural and urban school learners	R300 000,00	January - February 2012	OTEM	<b>100% achieved, school uniform was distributed to schools.</b>		<b>Achieved</b>
To promote Human rights for all our communities and further create awareness on human rights	form a task team in preparation for the event and conduct memorial lectures as a build up to the event	create awareness regarding human rights within our democracy	Better understanding and awareness of our rich history and understanding of our human rights	Human Rights Day	5000 people in attendance	R300 000,00	12-Mar	OTEM	<b>100% achieved, awareness on Human rights day was conducted.</b>		<b>Achieved.</b>
To promote and restore ethical behavior and societal values and principles enshrined in the country's constitution	Identify community leaders to be skilled. Carry out the project in different phases through life skills development and focused workshops over nine weeks	Workshops are to be held in February. We must equip identified leaders with necessary skills so that they in turn will impart the knowledge to their communities	Leaders should be empowered and will then go back to communities to facilitate these workshops and further impart the knowledge to their communities	Moral Regeneration.	960 community leaders and identified school learner	R720 000,00	October 2011 and February 2012	OTEM	<b>100% achieved, MRM conducted</b>		<b>Achieved.</b>
To promote and empower women in local government	Form a task team for research on relevant topics and convene meetings with relevant stakeholders	Identify needs of women and attract relevant stakeholders in order to equip them	Better participation of women in local government and improved service delivery by Council	Women in local government and community leaders	1000 delegates	R240 000,00	12-Aug	OTEM	<b>100% achieved, MRM conducted</b>		<b>Achieved.</b>

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
To celebrate our historical Heritage and commemorate our Tumahole Day	Form a task team with concerned Local Municipality and plan in order to carry out the programme as intended.	Create awareness on our historic days regarding our democracy and successful hosting of the event within the community of Ngwathe LM and Fezile Dabi	Better understanding of our heritage and our rich history	Tumahole Day	10 000 People from Tumahole and around Ngwathe LM	R240 000,00	11-Jul	OTEM	Achieved under the Office of the Speaker		Achieved
To celebrate our historical heritage	Form a task team with officials from all local municipalities	Awareness campaign held	Better understanding of our heritage and our rich culture and history	Proudly South African Campaign	1 Campaign be held	R240 000,00	11-Sep	OTEM	100% Achieved, campaign was held on 30 November		Achieved.
				Food parcels	Identified needy households	R300 000	11 Dec		157 out of 230 beneficiaries were assisted due to budgetary constraints.		Achieved
To promote & facilitate Intergovernmental Relations amongst stakeholders in the District	Facilitation of Intergovernmental Relation Forums (DCF, MM's Forum, LED Forum, CFO Forum, Communications Forum, Technical Managers Forum, CSS forum and Disaster forum, District environmental health forum, Security managers forum)	Number of meetings held	Coherent governance and effective provision of services.	Meetings of different forums	3 x ( each forum)		Quarterly	MM	100% achieved IGR and DCF meetings were held on 26/07/2012, 08/11/2012, 19/02/2013, 26/02/2013 and 08/05/2013		Achieved
To give advice/assistance and provide reasonable assurance regarding effectiveness of	The implementation of audit action plan	Number of internal audit reports	Improved audit reports	Internal audit reports	4	Operational	Quarterly	MM	75% achieved, three reports submitted which relates to 2112/2013, and the fourth quarter 2011/12 was		Achieved.

# FEZILE DABI DISTRICT MUNICIPALITY

## DRAFT ANNUAL REPORT – 2012/13

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
internal controls									submitted during the second meeting of the 2012/2103. The same applies to last quarter of 2012/2013.		
To provide oversight on the affairs of the municipality	Regular meetings of the audit committee/performance committee	Number of meetings held	Audit Committee/performance committee reports submitted to Council	Audit committee/performance committee meetings	4 meetings	Operational	Quarterly	MM	100% achieved the following audit Committee meetings were held 27 Aug 2012; 21 Sept 2012; 29 Nov 2012; and 12 April 2013.		Achieved.
	meetings of oversight committee	Number of meeting	Oversight reports to council	Oversight committee meetings	2 meetings	Operational	February and March	MM	100% Achieved, the meeting was held on the 14th March 2013.		Achieved.
To ensure proper risk management, anti-corruption strategies and plans.	Implementation of risk management policy, plan and strategy	Reduction of risk levels to tolerable level	Updated risk register	Risk management	20% reduction of high to tolerable level	Operational	Ongoing	MM	100% achieved, risk register has been updated		Achieved.
	Conduct risk assessments to ensure that risks facing the organization are identified, understood and appropriately managed			Risk assessment		Operational	30-Jun	MM	100% achieved. Report has been tabled to management		Achieved.
	Developing risks response processes including contingency and business continuity programmes	Inclusion of risk in the audit action plan	Reduction of risk impact to tolerable level	Risk assessment	4	Operational	Quarterly	MM	100% achieved the risk assessment report has been compiled		Achieved.
	Implementation of anti-corruption strategy, plan and	Number of traceable and reported incidences	Environment that is free of fraud and corruption	Investigation of reported incidents	100% of the incidents reported be	Operational	Ongoing	MM	100% achieved, there are reported incidents.		Not applicable

**FEZILE DABI DISTRICT MUNICIPALITY**  
**DRAFT ANNUAL REPORT – 2012/13**

IDP Goal/Objective	Strategies	Key Performance Outcome	Key Performance Indicator	Project /Programme	Target	Budget	Time Frame	Project driver	Actual performance	Corrective measure	Comments on verifications
<b>KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
	policy				investigated and be handed over to appropriate bodies						
	To conduct anti-corruption awareness campaigns	Number of workshops	Environment that is free of fraud and corruption	Workshops	1 workshop	Operational	1-May	MM	100% achieved, a workshop was conducted in May 201		Achieved
To build a risk conscious culture within the organization	Training of employees and embedding of risk management into day-to-day operations.	Number of workshops	Informed employees	Workshops	1	Operational	1-May		100% achieved. A workshop was conducted on the 12th February 2013.		Achieved.

CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE  
(Performance Report Part II)

1. Introduction to Organisational Development

One of the key institutional developments objectives as contained in our IDP for the period under review was improving performance and level of accountability of the municipal administration by cascading performance management to the lower post levels within the municipality.

2. Municipal Human Resources

2.1 Workforce Profile

The municipality’s primary focus is to ensure that departments are neither over-nor understaffed, and that employees with appropriate talents and skills are available to carry out tasks in the right jobs at the right time to support the municipality to achieve its strategic objectives.

As part of the bigger human resource management plan, the municipality’s human resource strategy focuses on filling of critical vacancies, skills audit, and capacity building intervention for councillors and officials, performance recognition and develop human equity plan.

The table hereunder summarizes the total workforce of the municipality per race group for the period under review.

Employment category	Race										
	African		Coloured		Indian		White		Total		Total
	M	F	M	F	M	F	M	F	M	F	
Top Management											
Senior Management	2	3	0	0	0	0	0		2	3	5
Mid-Management/Prof	5	4	0	0	0	0	4	1	9	5	14
Supervisors and Junior Management/Prof	23	24	0	1	0	0	4	0	27	25	52
Semi-Skilled	31	30	0	0	0	0	0	4	31	34	65
Unskilled	2	5	0	0	0	0	0	0	2	5	7
Total Permanent	63	66	0	1	0	0	8	5	71	72	143
Temporary Employee	6	4	0	0	0	0	0	0	6	4	
Grand Total	69	70	0	1	0	0	8	5	77	76	153

2.2 Employment Equity Profile

Similarly to the previous reporting periods, our municipality still shows a high level of adherence to promote equity at workplace as required by the Employment Equity Act.

Our Employment Equity profile as at the end of June 2013 is presented in the table below in support of the fact that the municipality has met most of transformation goals that it has set.

Category	2012/13		2011/12	
	Total	% of total employees	Total	% of total employees
Black* employees	154		100	87%
Women employees	83		56	52%
Employees with Disabilities	1		1	2.1%
Employees over age 51	11		12	5.3%
Employees between 31 & 50	122		69	69.2%
Employees under age 30	29		35	25%

\* African, Coloured, Indian

2.2 Staff turnover

Category	Numerical Data		
	Male	Female	Total
Appointed	17	15	32
Resigned	3	1	4
Pension	1	1	2
Dismissed	2	1	3

The following posts were filled during the period under review following:

- Municipal Manager
- Chief financial Officer
- Director Corporate Services
- Director LED & Tourism
- Director Environmental Health & Emergency Services

The following post(s) were vacant as at the end of the period under review:

- Director Project Management and Public Works



**2.3 Skills Audit**

The Skills Audit exercise was conducted from 17 until 24 April 2013. Purpose of the Skills Audit was to gather information on the competency profile of all FDDM employees so that competency gaps can be identified and a training plan developed and used as an input to the FDDM Workplace Skills Plan.

100 Employees completed Skills Audit Questionnaire, and a summary of statistical skills profile of Fezile Dabi District Municipality is as follows:

- 8 employees, excluding councillors require ABET (Adult Basic Education and Training)
- 52 employees, excluding councillors matriculated.
- 84 employees, excluding councillors have national diploma, degrees etc (post graduate qualifications)

**2.4 Capacity Building**

The Workplace Skills Development Plan (WSP) was drafted and co-signed by labour as required by relevant legislation. Training is provided to staff in line with the plan and reported monthly and quarterly to the LGSETA.

Workplace Skills Plan document and Annual Training Report submitted to LG SETA on the 27 June 2013.

**2.5 Minimum Competency Levels**

Municipal Regulation on Minimum competency Levels, 2007 set out the minimum competency levels that must be met by:

- The Accounting Officer;
- The Chief Financial Officer;
- Senior Managers of the Municipality;
- Other Financial Officials of the Municipality;
- Supply Chain Management Officials of the Municipality;

In line with the above state legislative requirement, the table below provides an overview of progress made in meeting the set minimum competency levels:

**Chief Financial Officer and other Senior Managers**

Name	Title	Course	Start Date
Qcobane Mashiyi	Chief financial Officer	CPMD	30 June 2013
Andile Mini	Director CSS	CPMD	30 June 2013
Nonhlanhla Squdu	Director Environmental Health	CPMD	30 June 2013
Victoria Moloi	Director LED	Municipal finance	15 May 2013

**Other Financial Officials and Supply Chain Officials**

NAME	TITLE	COURSE	START DATE
Julius Mabutho	Supply Chain Officer	Municipal Finance Programme	06 May 2013
Sello Thithi	Asset Officer	Municipal Finance Programme	06 May 2013
Johan Reyneke	Manager Financial Operation	Municipal Finance Programme	06 May 2013
Morongwa Moabelo	Financial Specialist	CPMD	Pending 2 unit standards
Charles Mosia	Budget Officer	CPMD	Completed
Maria Moeketsi	Supply Chain Manager	CPMD	Completed
Tersia Odendaal	Senior Accountant-Expenditure	CPMD	Completed
Momo Monosi	Compliance Officer	CPMD	Completed
Tsholofelo Sethibe	Budget Officer	Municipal Finance	Completed
Nyakallo Mafisa	Payroll Admin	Municipal Finance	Completed
Paseka Moloi	Senior Finance Accountant	CPMD	Completed
Diabo Mamphitha	Risk Officer	CPMD	Completed
Mathabo Mokoena	Finance Intern	Municipal Finance Programme	16 April 2012
Mamohau Makala	Finance Intern	Municipal Finance Programme	16 April 2012

**3. Performance Management System**

The municipality has a functional Performance Management System in place. Performance recognition is designed and the reward system is implemented for the senior management level. All the reported performance information is subject to internal and external audits. Performance evaluation is conduct on the basis of reported performance and performance evidence disclosed and audited.

#### 4. Human Resource Policies

The table below provides an overview of minimum human resources policies that the municipality must have in place and whether these policies have been reviewed and adopted by council for implementation in the period under review.

Name of Policy	Policy in place Yes / No	Reviewed for 2012/13 Yes / No	Date adopted by council or comment on failure to adopt
Affirmative action	Yes	Yes	
Attraction and Retention (Staff retention & exit Policy)	Yes	Yes	30 /05/2013
Code of Conduct for employees	Yes	Yes	30 /05/2013
Delegations, Authorization & Responsibility (Corporate governance policy)	Yes	Yes	30 /05/2013
Disciplinary Code and Procedures	Yes	Yes	30 /05/2013
Essential Services	N/A	No	
Employee Assistance/Wellness	Yes	Yes	30 /05/2013
Employment Equity	Yes	Yes	30 /05/2013
Exit management (Staff retention & Exit Policy)	Yes	Yes	30 /05/2013
Grievance Procedures	Yes	Yes	30 /05/2013
HIV/Aids	Yes	Yes	30 /05/2013
Human Resource and Development (Career succession planning policy)	Yes	Yes	30 /05/2013
Information Technology (ICT policies)	Yes	Yes	
Job Evaluation	N/A	No	
Leave	Yes	Yes	30 /05/2013
Occupational Health and Safety	Yes	Yes	30 /05/2013
Official Housing (Home-owners allowance policy)	Yes	Yes	30 /05/2013
Official Journeys (Travel & subsistence expenditure)	Yes	Yes	30 /05/2013
Official transport to attend Funerals (Bereavement Policy)	Yes	Yes	30 /05/2013
Official Working Hours and Overtime	Yes	No	
Organisational Rights	Yes	Yes	
Performance Management and Development	Yes	Yes	
Recruitment, Selection and Appointments	Yes	Yes	30 /05/2013
Resettlement	Yes	Yes	30 /05/2013
Sexual Harassment	Yes	Yes	30 /05/2013
Skills Development	Yes	Yes	30 /05/2013
Smoking	Yes	Yes	
Special Skills			
Work Organisation (Corporate governance Policy)	Yes	Yes	30 /05/2013
Uniforms and protective clothing	N/A		
Bursary Policy	Yes	Yes	30 /05/2013
Dress Code Policy	yes		30 /05/2013
Use of Municipal Assets	Yes		30 /05/2013

5. Leave Utilisation

The table hereunder provides an overview of number of leave days utilised by type for the period under review.

Number of Leave Days taken by leave type		
Leave type	Total days	Number of employees
Sick	852	102
Maternity	154	3
Family Responsibility	76	30
Other/ Special leave	84	17
Annual Leave	2207	125

**CHAPTER 5**

**FINANCIAL PERFORMANCE**

**Component A: Statement of Financial Performance**

**STATEMENT OF FINANCIAL PERFORMANCE**

		2013	Restated
	Note(s)	R	2012
			R
<b>Revenue</b>			
Administration and management fees received		59 280	46 450
Fees earned		-	272 233
Recoveries		-	13 381
Other income	15	1 410 161	2 212 514
Interest received – investment	16	9 420 228	10 466 965
Government grants & subsidies	14	134 627 219	129 393 000
<b>Total Revenue</b>		<b>145 516 888</b>	<b>142 404 543</b>
<b>Expenditure</b>			
Employees related costs	17	(65 916 417)	(56 907 301)
Remuneration of councillors	18	(5 964 912)	(5 414 800)
Administrative expense	19	(799 788)	(691 835)
Impairment loss on property, plant and equipment		(88 810)	-
Depreciation and amortisation	20	(3 814 940)	(3 852 082)
Bad debt written off	21	-	(724 431)
Finance charges	22	(2 922 635)	(3 488 495)
Provision for doubtful debts		(198 462)	-
Repairs and maintenance		(711 796)	(641 844)
Contracted services	23	(11 540 410)	(15 043 831)
Grants and subsidies paid	24	(13 784 803)	(8 472 580)
Loss on disposal of assets		(579 097)	(348 351)
General Expenses	25	(36 924 061)	(39 524 229)
<b>Total Expenditure</b>		<b>(142 667 034)</b>	<b>(134 761 428)</b>
<b>Operating surplus</b>		<b>2 849 854</b>	<b>7 643 115</b>
Loss on disposal of assets		(9 963)	(579 097)
<b>Surplus for the year</b>		<b>2 839 891</b>	<b>7 064 018</b>

**Component B: Spending against Capital Budget**

Pending! Appendix E(2)

**Component C: Cash flow Management and Investment**

<b>CASH FLOW STATEMENT</b>			Restated
	Note(s)	2013 R	2012 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		134 627 219	129 393 000
Interest income		9 420 228	10 466 965
Other receipts		1479 127	2 544 578
		<u>145 526 574</u>	<u>142 404 543</u>
<b>Payments</b>			
Employee costs		(67 918 942)	(62 322 101)
Suppliers		(97 997 728)	(84 013 330)
Finance costs		( 2 922 635)	(3 488 495)
		<u>(168 839 305)</u>	<u>(149 823 926)</u>
<b>Net cash flows from operating activities</b>	26	<u><b>(23 312 731)</b></u>	<u><b>(7 419 383)</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(1 642 635)	(2 610 726)
Proceeds from sale of property, plant and equipment	6	9 963	579 097
Purchase of intangible assets	7	-	(56 848)
Loss from sale of property, plant and equipment		(9 963)	(579 097)
		<u><b>(1 642 635)</b></u>	<u><b>(2 667 574)</b></u>
<b>Cash flows from financing activities</b>			
Movement in long term liabilities		(5 293 499)	(4 727 638)
Movement in operating lease liability		(165 252)	(558 983)
		<u><b>(5 458 751)</b></u>	<u><b>(5 286 621)</b></u>
<b>Net increase /(decrease) in cash and cash equivalent</b>		<b>(30 414 117)</b>	<b>(15 373 578)</b>
Cash and cash equivalents at the beginning of the year		190 824 792	206 198 370
<b>Cash and cash equivalents at the end of the year</b>	5	<u><b>160 410 675</b></u>	<u><b>190 824 792</b></u>

**1. Introduction**

The finance service directorate is responsible for administering and managing the financial affairs of the municipality. It ensures accountability on municipal expenditure and provides reports to various stakeholders on the utilization of municipal funds. The department also provides technical and strategic assistance and support to local municipalities within the district.

This department consists of the following key operational components, viz: Supply Chain Management, Information Communication Technology, Expenditure and Creditors, Local Municipalities Assistance unit, Financial Accounting, Budget Office, Payroll and Compliance unit.

The Local Municipalities Assistance unit that renders expert technical assistance to the Treasury and Budget Offices of the local municipalities within the district was established by Council resolution in 2009.

The activities, duties and functions in these components are carried out within the framework of Municipal Finance Management Act (MFMA) Act No 56 of 2003 and the Annual Division of Revenue Act (DoRA), other applicable pieces of legislation and approved budget related policies of the municipality.

**2. Supply Chain Management**

For the period under review, the municipality's Supply Chain was largely implemented in line with the approved policy, Municipal Finance Management Act and the associated regulations. The municipality's supply chain management Policy complies with the provision of section 112 of Municipal Finance Management Act.

All the tenders that were approved during the period were in line with the recommendations of the Bid Committees of the municipality and reporting has been done consistently monthly, quarterly and yearly to different authorities and stakeholders.

There is clear separation of duties within the supply chain management unit itself including its committees. No councillor or political office bearer is a member of any of the Bid Committees of the municipality, and the structures of the Bid Committees for the period under review were as follows:



**2.1 Bid Specification Committee:**

- SCM Practitioner (Chairperson);
- SCM Practitioner;
- Senior Budget Officer;
- Manager Planning;
- A representative from the user department.

**2.2 Bid Evaluation Committee:**

- Senior SCM Practitioner (Chairperson);
- Secretary: SCM Practitioner;
- Senior Financial Accountant;
- Snr. SCM Practitioner;
- Chief Risk Officer; and
- A representative from the user department

**2.3 Bid Adjudication Committee:**

- Chief Financial Officer (Chairperson);
- Director: LED & Tourism;
- Director: Community, Health and Environmental Services;
- Secretary: Senior SCM Practitioner.

Consistent with the previous reporting period, no complaints, disputes, objections, or incidents of irregular conduct were received from any party in respect of implementation of supply chain management activities.

**3. Expenditure and Creditors**

The expenditure unit is responsible for all the payments of suppliers and creditors to which the municipality has the obligation. For the period under review, all the expenditure incurred was within the limits of the municipality's approved budget.

Suppliers and creditors were paid within 30 days of receipt of valid tax invoices, and only where delivery and / or supply of goods and / or services was evaluated and confirmed as satisfactory by various user departments.

Because of limitations for generating own revenue, our expenditures were largely financed through equitable share and to an extent Finance Management Grant and Municipal Systems Improvement Grant for qualifying expenditure.

**4. Local Municipalities Assistance unit**

This unit is responsible for rendering expert technical support to various financial management matters to all the local municipalities within the district. The support is rendered to municipalities on request and also based on urgency.

For the period under review, the unit rendered support to Mafube Local Municipality, where the major focus was on revenue enhancement and financial management reporting.

**5. Plans to enhance financial viability**

The following matters, as raised in the Auditor-General's report, need to be addressed in the 2013/14 financial year.

- Ensure consistent application of accounting policies applicable to the financial statements so as to eliminate possibilities of errors and re-statement of financial information during external audits.
- Strengthening of controls relating to implementation of Supply Chain Management Policy.
- Ensuring compliance with MFMA regarding in-year requirements, such as Mid-Year performance assessment.
- To ensure the municipality progressively work towards obtaining a clean audit report by 2014.
- Funding of the Revenue Enhancement Plan.

CHAPTER 6

AUDITOR-GENERAL’S FINDINGS (2011/12)

1. Detail on issues raised during the previous financial year;

Below is an extract of matters that were raised by the Auditor-General in 2011/12 financial year and needed to be addressed during the period under review:

Area of Focus	Matters Raised
Predetermined objectives	Adequate and reliable corroborating evidence could not be provided for 33% of all major variances as disclosed in the annual performance report, while in 67% of the major variances the explanations were not adequate as disclosed in the annual performance report.
	A total of 39% of the reported objectives, 24% of indicators and 23% of targets are not consistent with the objectives, indicators and targets as per the approved IDP.
Compliance with laws and regulations	<b>Audit committee</b> The performance audit committee did not make recommendations to the council, as required by municipal planning and performance management (MPPM) regulation 14(4)(a)(ii).  The performance audit committee did not submit at least twice during the financial year an audit report on the review of the performance management system to the council, as required by MPPM regulation 14(4)(a)(iii).
	<b>Grants</b> Sufficient appropriate audit evidence could not be obtained that the municipality submitted quarterly performance reports to the transferring national officer, the Free State Provincial Treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.
	<b>Annual financial statements, performance and annual reports</b> The consolidated financial statements submitted for auditing were not prepared in all material respects accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted consolidated financial statements were subsequently corrected, resulting in the consolidated financial statements receiving an unqualified audit opinion.
Internal control	<b>Leadership</b> Oversight of financial and performance reporting and

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Area of Focus	Matters Raised
	compliance and related internal controls was not effective during the year due to a lack of monitoring.
	<b>Financial and performance management</b> The accounting officer did not regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures. Management did not take timely action to prevent non-compliance issues during the period under review. As a result, non-compliance issues were noted that could have been prevented.
	<b>Governance</b> The audit committee did not effectively report to council on the audit of performance information throughout the year."

**2. Remedial action taken to address the above and preventative measures.**

Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of a change in accounting policies and errors discovered during 2010/11 financial year in the financial statements of the Fezile Dabi District Municipality at, and for the year ended 30 June 2010	Changes in accounting policy and errors discovered has effected changes in 30 June 2010 figures	CFO	30 November 2011	30 November 2012	Resolved
<b>Usefulness of information</b> 14. Section 46 of the Municipal Systems Act requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 33% of all major variances as disclosed in the annual performance report, while in 67% of the major variances the explanations were nor adequate as disclosed in the annual performance report.  15. The Municipal Systems Act, section 41(c) requires that the integrated development plan (IDP)	Prepare quarterly reports. Consolidate information. Departments provide evidence to substantiate the reported performance. The Accounting officer holds meetings with respective directors to address non – performance matters on a quarterly basis.	PMS Officer	2012/13 Financial year	Ongoing.	Resolved, as this is an ongoing process.

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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 39% of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved IDP. This is due to the fact that there was no processor system in place to ensure that what is reported in Service Delivery and Budget Implementation Plan and the performance report are aligned and consistent.	Consistency of objectives will be maintained with the IDP objectives and reported performance information.	PMS Officer	2012/13 Financial year	29 February 2013	Not Resolved
<b>Audit Committee</b> 17. The performance audit committee did not make recommendation to the council, as required by Municipal Planning and Performance Management Regulation (MPPM) 14(4)(a)(ii).  18. The performance audit committee did not submit at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by the MPPM regulation 14(4)(a)(iii).	Management will prepare the quarterly reports on time to allow the Performance Audit Committee to play its oversight role  Management will prepare the quarterly reports on time to allow the Performance Audit Committee to play its oversight role	Thami	2012/13 Financial year  2012/13 Financial year	2012/13 Financial year  2012/13 Financial year	Resolved Reports will be tabled to council during May 2013  Resolved Reports will be tabled to council during May 2013
<b>Grants</b>  Sufficient appropriate audit evidence could not be obtained that the municipality submitted quarterly performance reports to the transferring nation officer, the Free State Provincial Treasury and the National Treasury , within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.	The template for the quarterly report has been drafted and will be put in effect from the second quarter of the 2012/2013 financial year.	Compliance Officer	30 January 2013	Quarterly	Resolved Reports submitted to transferring donors
<b>Annual financial statements,</b>	The material misstatements	Paseka/	Aug 2012	Nov 2013	Resolved

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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
<b>performance and annual reports</b>  20. The financial statements submitted for auditing were not prepared in all material respects accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, currents assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	on the financial statements were corrected during the audit	CFO			Addressed during the audit
<b>Leadership</b> 22. Oversight responsibility regarding financial and performance reporting and compliance and related internal control were not effective during the year due to lack of monitoring.	Monitoring by Audit committee and	Thandi	2012/13 Financial year	2012/13 Financial year	The MPAC committee has been developed
<b>Financial and performance management</b> 23. The accounting officer did not regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, non-compliance issues were noted that could have been prevented.	The compliance unit has extended its scope to ensure that compliance will be regularly monitored.	CFO/Compliance	February 2013	Ongoing	Busy resolving
<b>Governance</b> 24. The audit committee did not effectively report to council on the audit of performance information throughout the year.	Management will prepare the quarterly reports on time to allow the Performance Audit Committee to play its oversight role	Thami	2012/13 Financial year	2012/13 Financial year	Resolved Reports will be tabled to council during May 2013
Contrary to section 11(1)of the MFMA and section B part 6.5 of Banking and investment policy -No supporting documentation could be obtained for the withdrawal of investment (ABSA Bank - 20673903393) to motivate the purpose and authorisation thereof. - No quotations were obtained before	Withdrawal of investment will be authorized by authorized signatories and proper documentation will be kept	Financial Accountant	07 January 2013	07 January 2013	Resolved  Three quotations are obtained before any investment can be made and investment letters are properly filed

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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
the reinvestment on ABSA Bank account (2067390339) to ABSA Bank account (9120310570).(EX.7)					
Contrary to Section 62 (1)(c)(i) and (ii) of the MFMA - Mr ME Mohlahlo is still an authorised signatory for the main account: ABSA - Cheque Account (Acc no.5 - 2000 - 0100) while he's no longer employed by the municipality as he resigned on 30 October 2011.(EX.22)	Banking institution will be contacted once a year to verify active authorized signatories, those not in employment of the municipality will be removed	Financial Accountant	01 March 2013	31 May 2013	Resolved All authorized signatories who are no longer employed by municipality have been removed from municipality bank accounts as signatories
Contrary to Sections 3.3 and 3.4 of the municipality's leave policy, employees were identified that did not take the compulsory 16 annual leave days.(EX.37)	Inform employees about the compulsory annual leave days that should be taken during a leave cycle and failure to comply will result in leaf being forfeited	Mpotseng	Ongoing	On going	Resolved On weekly basis CSS sends an e-mails to employees reminding them they should take leave
Contrary to Section 68 of the Municipal Systems Act (Act No. 32 of 2000) (MSA) - following vacant posts were not filled during the year under review.(EX.48)	Management to ensure that posts that have been approved on the organisational structure are filled timeously	Mpotseng	Ongoing	Ongoing	Resolved, Number of vacant post have been filled
Contrary to Par 14 of the SCM Policy on "DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES" goods and services were procured by means of a blanket deviation.(EX.17)	Meeting was held between the CFO and Snr SCM Practitioner and they agreed that there will be no blanket deviation form will be used as from 1 <sup>st</sup> December 2012	SCM	01-12-12		Resolved No blanket deviations were used form January 2013
Contrary to SCM Regulation 14(3) - The FDDM's suppliers list is not made per commodity and type of service.(EX.32)	Training was provided to all SCM Official on rotation of suppliers and on the linking on commodity and type of service	SCM	01-02-13	ongoing	Resolved  Database list has been updated
Contrary to Section 32(4) of the MFMA - No proof could be obtained that reports in respect of the expenditures were submitted to the MEC for local government in the province and the Auditor-General.(EX.41)	The process has been put in place to ensure that all expenditure is duly assessed and reported. A deviation register is prepared on a monthly bases as a tool of assessing the classification of expenditure that did not follow correct processes	Compliance/ CFO	01-07-2012	Ongoing	<b>Resolved</b>

Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
Contrary to Section 72(1)(b) of the MFMA - It was noted that from the correspondence obtained from Momo Monosi (Compliance officer) that the reports were only submitted to National Treasury on the 6th February 2012 which is after the 25 January required by Section 72(1)(b) of the MFMA.(EX.58)	The council meeting schedule has been aligned with the required timeframes as per MFMA in order to ensure that timeframes are met.	Compliance		25 <sup>th</sup> Jan 2013	The schedule was prepared and adopted but due to the public uprising the council was unable to sit for the tabling of the report.
Contrary to SCM Regulation 17(1)(c) - The following payment between R10 000 - R30 000 was procured without obtaining 3 quotations and no deviation was approved.(EX.26)	When procuring transactions between R10 000 – R30 000 three(3) quotations will be obtained. No memo is allowed from 01 January 2013.	SCM	01 <sup>st</sup> Dec 12	Ongoing	Resolved  Memo are no longer allowed
Contrary to Par 14 of the SCM Policy on "DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES"- deviations between R10 000 and R200 000 were not reported to council. (EX.27)	All deviations are currently reported on quarterly basis to the council. The municipality is now moving towards reporting deviations within 30 days after the ended of each month to the council.	SCM	01 Mar 2013	31 May 2013	Resolved  The deviation report was submitted to finance portfolio and it will be tabled in the next mayco and council
Through inspection of the asset register it was noted that the assets were not barcoded or have serial numbers. - The registration numbers of the vehicles listed below were not included in the asset register (EX.15)	Assets purchased during the year are barcoded upon receipt - a copy of the invoice is made and is used to capture the asset on the system	Paseka	01 February 2013	31 May 2013	Captured barcodes, serial numbers and number plates on the system
Contrary to SCM Regulation 12(2) - Management did not align the SCM policy with SCM Regulations. (EX.39)	SCM policy will be reviewed and be aligned to SCM regulations	SCM	01 March 2013	15 June 2013	Resolved Reviewed SCM policy that was tabled to council on 16 Aug 2012 has been aligned to SCM regulation
- Incorrect depreciation calculated due to incorrect residual value on vehicles. - Incorrect depreciation calculated due to incorrect residual value on building (EX.60)	Asset policy will be reviewed, life span of assets will include residual values	Financial Accountant	01 March 2013	31 May 2013	Resolved Policy has been reviewed and residuals included in assets
-The assets on the below table are still in use by the municipality however carrying amount on the Asset register is nil. (EX.36)	Asset register will be inspected –identifying assets with nil value – inspects a assets condition and write	Financial Accountant	01 March 2013	31 May 2013	Resolved All the assets with nil values have been identified



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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
	back depreciations				and wrote back depreciation
Contrary to section 65(2)(e) of the MFMA - suppliers were not paid within 30 days of receipt of invoice (EX.18)	Invoices were paid within 30days after receiving by expenditure department. Correct invoices are stamped and dated upon receipt.	Expenditure	01 Jan 2013	30 June 2013	Resolved  Invoices are stamped and dated upon receipt by expenditure
Sufficient and appropriately designed controls do not exist over the receipt of goods and services at the municipality.(EX.33)	The received stamp is in place for all invoices of goods received and services.	SCM	30 <sup>th</sup> October 2012	On-going	Resolved  The invoices are stamped upon receipt
Contrary to Paragraph 5.4 of the Leave Policy - leave captured onto the PAYDAY system is not supported by an application form - differences were identified with the recalculation of leave balances as at 30 June 2012	Management should implement controls to ensure that leave application forms are completed, submitted and adequately filed.	Corporate	Ongoing	Ongoing	Resolved Application for leave is supported print out of leave days available
Negative leave balance was incorrectly included in the staff leave accrual disclosed in note 8 of the annual financial statements. (EX.25)	Management should implement controls to ensure that leave balances are reconciled and reviewed on a regular basis.	Corporate	Ongoing	Ongoing	Resolved Leave application is accompanied by print screen of available leave days
Accounting entries were made regarding a payment made to Engadine Landscaping for the Tumahole Stadium.(EX.53)	All payments relating to the creditor and projects to see if VAT was correctly accounted for. All corrections will be done with the next VAT return after the investigation is finalized	Expenditure	01 Feb 2013	30/6/2013	Resolved
Contrary to Section 122(1) of the MFMA - retention creditors balance per the general ledger did not agree to the supporting documentation provided. (EX.57)	Retention creditors reviewed at least on a half yearly basis. Investigations and balancing of all retentions will be done	Expenditure	01 Feb 2013	30/6/2013	Resolved
The IDP for the financial year 2011/2012 was not submitted within 10 days to the MEC local government after the adoption of the IDP by the municipal council.(EX.50)	The 2012/13 IDP is still undergoing the review process. The planning unit will ensure that it is submitted within 10 days to the MEc of Local Government after adoption by council	Mbali	2012/13 Financial Year	31 May 2013	Resolved

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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
The approve service delivery and budget implementation plan for the financial year 2011/2012 was not submit by the municipal manager to National Treasury and Provincial Treasury, in both printed and electronic format within 10 days after the mayor has approved the plan.(EX.62)	The service delivery and budget implementation plan for the financial year 2011/12 was submitted to National Treasury and Provincial Treasury but not within the stipulated time frame. The 2012/13 SDBIP was submitted within the stipulated time frame.	Mbali/Thandi			Resolved
Contrary to Section 16(2) of the Value Added Tax Act (Act No 89 of 1991)- Input VAT has been claimed by the municipality even though the supplier invoice did not indicate that VAT has been charged and did not include a VAT number on the invoice  - According to invoices attached to the payments listed below, the municipality could claimed input VAT on the expenditure however the VAT included on the invoice could not be traced to the municipality's VAT accounts.(EX.21)	A checklist has been complied that is attached with every voucher to meet the requirements. The invoices will be investigated and corrected as per SARS findings	Expenditure	01 Jan 2013	31/5/2013	Resolved  Checklist is ticked and attached to each payment voucher
Contrary to paragraph 10.3 and paragraph 18 of the Leave policy - Adequate supporting documentation does not exist to supporting the following leave taken  - the following leave taken has not been captured onto the PAYDAY system9 (EX.56)	Management to ensure that adequate supporting documentation is attached / submitted before the approval of other leave.  (b) Managers / Directors to ensure that leave application forms are completed, submitted and adequately filed so that CSS  Can be able to capture leave taken onto the PAYDAY system.	Corporate	Ongoing	Ongoing	Busy resolving
- Construction contracts were not advertised on the CIDB website and the projects were also not registered on the CIDB web-site.  - The CFO, Acting CFO or senior	As from the 30 <sup>th</sup> October 2012 all bids received that require the CIDB grading are now advertised to CIDB website.	SCM	30 <sup>th</sup> October 2012	30 <sup>th</sup> October 2012	Resolved

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Deficiencies Pointed Out In Report	Detail Of Remedial Action To Be Implemented (Plan Of Action)	Responsible Official(S)	Date Of Execution	Date Of Completion	Status of Audit Finding(Resolved or Not Resolved)
from Finance was not present in the adjudication committee for the following bids - The entries in the register and the bid results were not published on the website of the municipality - No evidence could be obtained to verify that all contracts are monitored. (EX.31)					
Contrary to par 3.1 of the Banking and Investment Policy - the hand written receipts were not banked in a timely manner as they were banked more than 48 hours after they were received.( EX.35)	Banking policy has been reviewed, the money will be deposited on weekly basis or once the money exceed R1000	Paseka	30 June 2012		Resolved  Investment policy has been reviewed and submitted to council

**APPENDICES**

**Appendix A: Councillors; Committee Allocation and Council Attendance**

**A1: Councillors**

**ANC Councillors**

1. Moshodi MP ( Executive Mayor)
2. Mbalo SI (Speaker)
3. Makhoba KJ
4. Guza NG
5. Taje MS
6. George DSL
7. Mokoena ME
8. Mahlakazela SJMT
9. Pietersen ML

**DA Councillors**

1. Spruit MC
2. Pittaway SH
3. Van der Westhuizen PD

**COPE Councillor**

1. De Hart D

**Seconded Councillors from Metsimaholo Local Municipality**

1. Khubeka NJ (ANC)
2. Holt S (DA)
3. Makoele WL (DA)
4. Ntoane MG (DA)
5. Soetsang TL (ANC)
6. Poho MS (ANC)
7. Chebase LR (ANC)

**Seconded Councillors from Moqhaka Local Municipality**

1. Notsi ME (ANC)
2. Mbono MD (ANC)
3. Koloi MA (ANC)
4. Mahasa LP (ANC) (May 2011 - May 2012)
5. Magadlela ZS (ANC) (May 2012 - Date)
6. Viljoen AH (DA)

**Seconded Councillors from Ngwathe Local Municipality**

1. Oliphant MA (ANC)
2. Ndayi PR (ANC) (May – November 2011)
3. Magashule ME (ANC) (Nov 2011- Date)
4. Serfontein C (DA)
5. Khumalo KJ (DA)
6. Hlapane ML (ANC)

**Seconded Councillors from Mafube Local Municipality**

1. Sigasa JE (ANC)
2. Mosia MA (ANC)

**A2: Committee Allocation**

**FINANCE PORTFOLIO COMMITTEE**

Cllr Mokhele Eric Notsi (Portfolio Head)  
Cllr.M.Mahasa  
Cllr T.Mahlakazela  
Cllr M.Mosia  
Cllr P.Van Der Westhuizen  
Cllr Dirk de Hart

**CORPORATE SUPPORT SERVICES PORTFOLIO COMMITTEE**

Cllr Lucy Mamosebetsi Hlapane (Portfolio Head)  
Cllr J Sigasa  
Cllr M.Mbono  
Cllr K.Makhoba  
Cllr W.Makoele  
Cllr Dirk de Hart

**PROJECT MANAGEMENT & PUBLIC WORKS PORTFOLIO COMMITTEE**

Cllr Reuben Phillemon Ndayi (Portfolio Head)  
Cllr E.Mokoena  
Cllr M.Mbono  
Cllr N.Kubheka  
Cllr M.Mosia  
Cllr S.Holt

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**COMMUNITY HEALTH & ENVIRONMENTAL SERVICES PORTFOLIO COMMITTEE**

Cllr Magugudi Anna Oliphant (Portfolio Head)  
Cllr S.Taje  
Cllr L.Chebase  
Cllr T.Koloi  
Cllr C.Serfontein  
Cllr M.Spruit

**LED & TOURISM PORTFOLIO COMMITTEE**

Cllr Kau Jacob Khumalo (Portfolio Head)  
Cllr D. George  
Cllr M.Pietersen  
Cllr T.Mahlakazela  
Cllr S.Pittaway  
Cllr M.Poho

**SOCIAL DEVELOPMENT (LED & TOURISM) PORTFOLIO COMMITTEE**

Cllr Nodoli Georgina Guza (Portfolio Head)  
Cllr L.Chebase  
Cllr K.Makhoba  
Cllr T.Soetsang  
Cllr A.Viljoen  
Cllr M.Ntoane

**A3: Council Attendance**

**Pending details!**

**Appendix B: Committee and Committee Purpose**

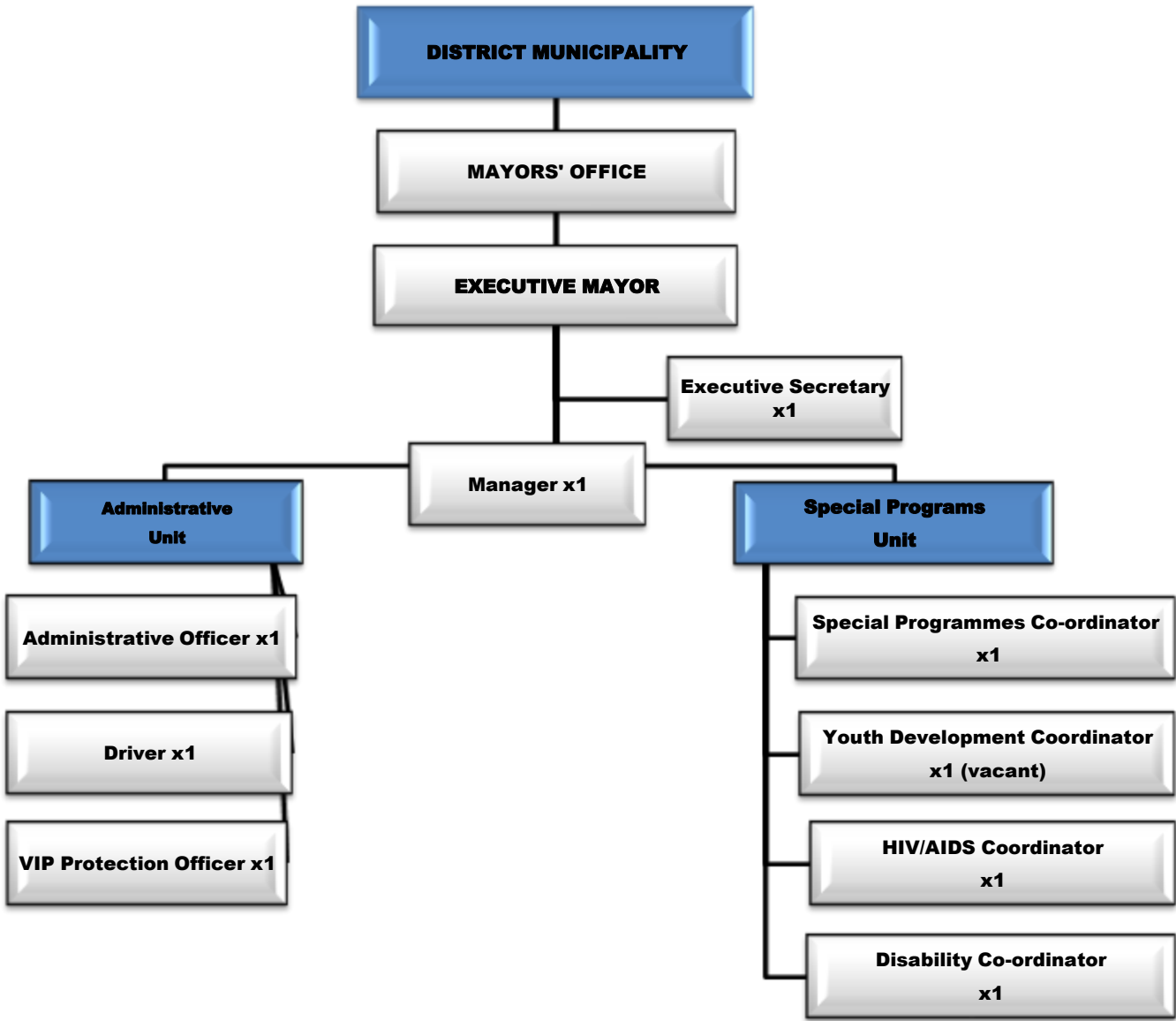
The following table provides an overview of the council committees and the purpose of each committee.

Name of Committee	Purpose of Committee
Finance	Oversight over financial matters of the municipality
Corporate Support Service	Responsible for oversight over Human Resources matters of the municipality
Project Management & Public Works	Responsible for oversight over the infrastructure and service delivery matters of the municipality.
Community Health & Environmental Services	Responsible for oversight over health and environmental functions of the municipality.
Led & Tourism	Responsible for oversight over Local Economic Development and Tourism functions of the municipality.
Social Development	Responsible for oversight over Social Development functions of the municipality.
Audit Committee	Responsible for oversight over the work of the internal audit and performance management units of the municipality.
Oversight Committee	Responsible for overall oversight over the annual report and other related functions of the municipality.

Appendix C: Third Tier Administrative structure

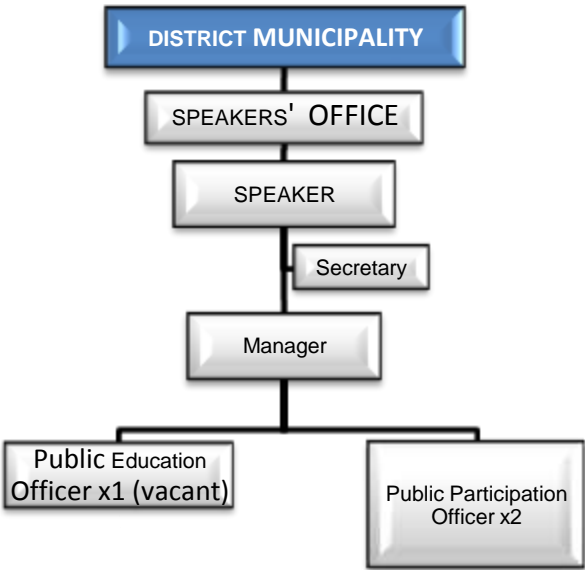
POLITICAL OFFICE SUPPORT

/

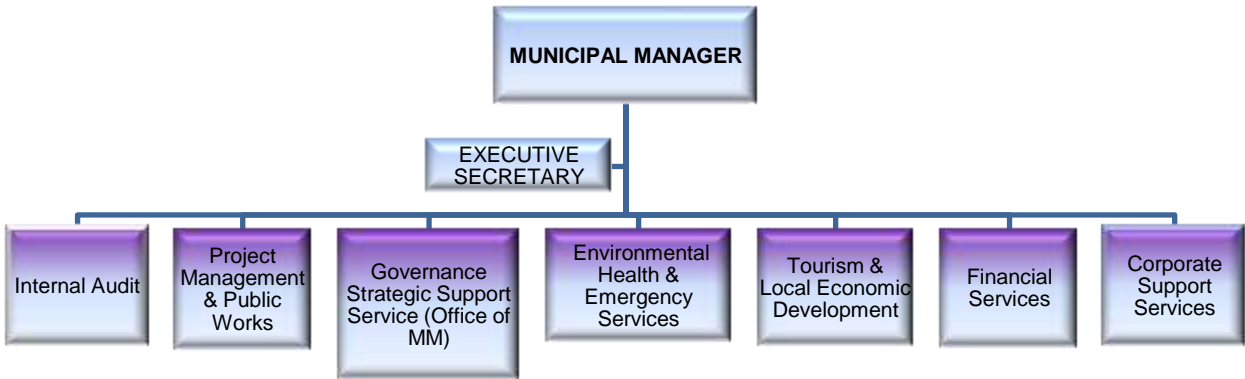




POLITICAL OFFICE SUPPORT



ORGANISATIONAL FRAMEWORK



### Appendix D: Functions of Municipality/Entity

<b>Powers and Functions in terms of Schedule 4 (Part B) and Schedule 5 (Part B) of the Constitution</b>	<b>Definition</b>
Air pollution	Any change in the quality of the air that adversely affects human health or well-being or the ecosystems useful to mankind, now or in the future. District: licensing of listed processes
Building regulations	The regulation, through by-laws, of any temporary or permanent structure attached to, or to be attached to, the soil within the area of jurisdiction of a municipality, which must at least provide for: <ul style="list-style-type: none"> <li>_ Approval of building plans,</li> <li>_ Building inspections, and</li> <li>_ Control of operations and enforcement of contraventions of building regulations if not already provided for in national and provincial legislation.</li> </ul> District: Control of premises from health point of view, starting from scrutinizing of building plans
Child care facilities	Facilities for early childhood care and development which fall outside the competence of national and provincial government. District: Control of premises and other places of care.
Fire Fighting	In relation to District Municipality “Fire fighting” means: <ul style="list-style-type: none"> <li>_ Planning, co-ordination and regulation of fire services;</li> <li>_ Co-ordination of the standardization of infrastructure, vehicles, equipment and procedures;</li> <li>_ Training of fire officers.</li> </ul> In relation to Local Municipality “Fire fighting” means: <ul style="list-style-type: none"> <li>_ Any function not included in the definition applicable to a district municipality, including fighting and extinguishing of all fires;</li> <li>_ The rescue and protection of any person, animal or property in emergency situations not covered by other legislation or powers and functions.</li> </ul>
Local tourism	The promotion, marketing and if applicable, the development, of any tourist attraction within the area of the municipality with a view to attract tourists; to ensure access, and municipal services to such attractions, and to regulate, structure and control the tourism industry in the municipal area subject to any provincial and national legislation, and without affecting the competencies of nation-al/provincial government pertaining to “nature conservation”, “museums”, “libraries” and “provincial cultural matters”.
Municipal Planning	The compilation and implementation of an integrated development plan in terms of the Systems Act.
Municipal Health Services	_ Subject to an arrangement with MECs to do the necessary authorizations, or alternatively, subject to amendments to the Structures Act, Municipal Health Service means environmental health services performed by a district municipality.
Municipal public transport	The regulation and control, and where applicable, the provision of: <ul style="list-style-type: none"> <li>_ Services for the carriage of passengers, whether scheduled or unscheduled, operated on demand along a specific route or routes or where applicable, within a particular area</li> <li>_ Scheduled services for the carriage of passengers, owned and operated by the municipality, on specific routes</li> </ul>
Storm water drainages /	The management of systems to deal with storm water in built-up areas.
Trading regulations	The regulation of any area facility and/or activity related to the trading of goods and services within the municipal area not already being regulated by national and provincial legislation.

**FEZILE DABI DISTRICT MUNICIPALITY**  
**DRAFT ANNUAL REPORT – 2012/13**

Water (Potable)	<p>The establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution; bulk supply to local supply points, metering, tariffs setting and debt collection so as to ensure reliable supply of a quantity and quality of water to households, including in-formal households, to support life and personal hygiene and establishment, provision, operation, management, maintenance and regulation of a system, including infrastructure for the collection, removal disposal and/or purification of human excreta and domestic waste-water to ensure minimum standard of services necessary for safe hygienic households.</p> <p>District: water quality monitoring, including potable water</p>
Sanitation	<p>The establishment, provision, operation, management, maintenance and regulation of a system, including infrastructure for the collection, removal, disposal and/or purification of human excreta and domestic waste water to ensure minimum standard of service.</p> <p>District: monitoring and awareness (sampling on networks and connection to assess compliance with applicable standards)</p>
Cemeteries, funeral parlours and crematoria	<p>The establishment conducts and control of facilities for the purpose of disposing of human and animal remains.</p> <p>District:</p> <ul style="list-style-type: none"> <li>_ monitoring of funeral parlours and crematoria for compliance,</li> <li>_ responsible for regional cemeteries</li> </ul>
Cleansing	<p>The cleaning of public streets, roads, and other public spaces either manually or mechanically.</p> <p>District: Waste management monitoring in terms of the health act, excludes collection and disposal of refuse, but includes development of plans and awareness and education programmes.</p>
Control of public nuisance	<p>The regulation, control and monitoring of any activity, condition or thing that may adversely affect a person or a community.</p> <p>Description: In terms of general function of municipal health services</p>
Facilities for the accommodation, care and burial of animals	<p>The provision of and/or the regulation, control and monitoring of facilities which provide accommodation and care for well or sick animals and the burial or cremation of animals, including monitoring of adherence to any standards and registration requirements and/or compliance with any environmental health standards and regulations.</p> <p>District: In terms of the By-laws, control of keeping of animals</p>
Licensing and control of undertakings that sell food to the public	<p>Ensuring the quality and the maintenance of environmental health standards through regulation, a licensing mechanism and monitoring of any place that renders in the course of any commercial transaction, the supply of refreshments or meals for consumption on or to be taken away from the premise at which such refreshments or meals are supplied. Implement policy and regulations.</p>
Municipal roads	<p>The construction, maintenance, and control of a road which the public has the right to and includes, in addition to the roadway the land of which the road consists or over which the road extends and anything on that land forming part of, connected with, or belonging to the road, and also, for purposes of a local municipality, includes a street in a build-up areas.</p>
Noise pollution	<p>The control and monitoring of any noise that adversely affects human health or well-being or the ecosystems useful to mankind, now or in the future.</p>
Street trading	<p>The control, regulation and monitoring of the selling of goods and services along a public pavement or road reserve.</p>
Municipal public works	<p>Any supporting infrastructure or service to empower a municipality to perform its function</p>

**Appendix E: Ward Reporting**

**Status of ward committees in the district**

– **Metsimaholo Local Municipality**

Reports from Metsimaholo Local Municipality indicated that all the ward committees have been established and inducted by the service provider appointed by the municipality on roles and responsibilities, they also pay out of pocket expenses to ward committees with effect from 1 September 2012, and ward meetings are taking place.

– **Mafube Local Municipality**

Reports from Mafube Local Municipality indicated that all the ward committees were established and were inducted by Fezile Dabi and COGTA on roles and responsibilities as per the induction manual approved by National government and they are also paying out of pocket expenses.

– **Ngwathe Local Municipality**

Reports from Mafube Local Municipality indicated that all ward committees were functional, with the exception of ward 18. The Councillor elected in 2011 resigned due to internal party matters, and by-elections were held, and another councillor elected but has also resigned due to the same circumstances as in the first instance. Two capacity building workshops have been held for the ward committees and CDWs by COGTA. The municipality is still paying stipends on a monthly basis.

– **Moqhaka Local Municipality**

The structure has collapsed and therefore non-functional, therefore were no activities taking place in the entire municipality. Even Public Participation Officers did not attend DPPSC meeting as were convened by the district. The Ward Committees did not receive stipends subsidized by the COGTA.

**Appendix F: Ward Information**

Not applicable to Fezile Dabi District Municipality

**Appendix G: Recommendations of the Municipal Audit Committee**

**REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR 2012/13**

We are pleased to present our annual report for the financial year 2012/13. This covers the Audit committee activities from July 2012 to June 2013

**Audit Committee Members and Attendance:**

The Audit Committee consisted of the members listed hereunder. During the current year, four meetings were held.

Name of Member	Meetings Attended	Apologies
Mr N Mokhesi (Chairperson)	4	1
Ms J V Mogadime	4	1
Mr M N G Mahlatsi	5	0
Mr M E Mohlahlo	5	0

All members of the Audit Committee are independent, with no interest in the management or conduct of the business of the Municipality.

**Audit Committee Responsibility**

The committee reports that it has complied substantially with its responsibilities arising from section 166 (2) of the Municipal Finance Management Act (MFMA) in terms of its defined responsibilities as an advisory body to the municipality.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

**The effectiveness of internal control**

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Audit, the Audit Report on the Annual Financial Statements and management letter of the Auditor-General. It was noted that there were instances of weaknesses in controls. However the Audit Committee is pleased to report that there has been significant improvement in the general controls and management has put mechanisms and action plans in place to deal with identified weaknesses. Management has further undertaken to report to the Audit Committee on a regular basis on progress made in this regard.

From July 2012 to June 2013, the following weaknesses have been identified:

- Timeframes stated in the recruitment policy were not being adhered to.
- Asset movements within the offices were not being correctly recorded.

There are areas where management had adequately adhered to internal controls to ensure that institutions objectives are met. The Audit committee applauds the management of the institution on the significant improvements on the following areas based on the existing risks assessed facing them:

- Supply Chain Management
- Information and Communication Technology

#### **Internal Audit**

The Audit Committee is satisfied that the Internal Audit functions adequately, and has fulfilled its duties according to the annual internal audit plan. The Internal Audit covered the following areas according to the Internal Audit Annual Plan:

- Leave Management review
- Appointments review
- Asset management review
- Supply Chain Management Review
- Training Management Review
- General Management Review
- Investment Management Review
- Information and Communication Technology
- Audit of Reported Performance Information

#### **Risk Management**

The Audit Committee took note of risk register, risk assessment report, and risk treatment report for a period up to June 2013.

- The committee is satisfied with the progress made this far.

#### **Adequacy of financial reporting**

For the financial year under review the Audit Committee had an opportunity to discuss the section 71 report for the month of May 2013. From this, we could identify adequate financial reporting. Management has indicated that the section 71 reports are being submitted on time to Provincial Treasury.

#### **Evaluation of Financial Statements**

During a special Audit Committee held on the 29<sup>th</sup> of August 2013, the Audit committee reviewed the Annual Financial Statements for the year 2012/13, which were audited by Auditor General during the period July 2013 to November 2013.

From Audit Report that has been issued by Auditor General, management has prepared an Action plan with the aim of improving on the issues raised by the Auditor General.

#### **Performance Management**

Council has also designated the Audit Committee as a Performance Audit Committee in terms of Municipal Planning and Performance Management Regulations 2001.

The committee takes note of the progress made regarding Performance Management System. It had an opportunity to review and discuss mid-year; 3<sup>rd</sup> & 4<sup>th</sup> Quarter Audited performance information report for 2012/13 financial year, during the meeting held on April 2013; June 2013 and August 2013.

Performance reports were submitted to Internal Audit for verification before it can be tabled to Audit Committee. Audit Committee took note of the reports.

The annual performance report has been audited by Auditor General, and there were no findings from the Auditor General on performance information.

.....	16/01/2014
N MOKHESI	
Chairperson of the Audit Committee	Date



**Appendix H: Long term Contracts and Public Private Partnership**

The schedule below is for contract that the municipality entered into that are for a period of up to three years and are of significant value.

Name of Service Provider	Name of Project	SLA signed		Project Starting Actual Date	Completion Date	Status
		Yes	No			
THE CURVEBEHIND TRADING 309 CC	Appointment of a contractor in terms of a maintenance agreement for air conditioners	Yes		05/2013	04/2015	Ongoing
ABSA BANK	Commercial Bank Services	Yes		01/07/2013	30/06/2016	Ongoing
NASHUA	RE-Advert: Appointment of service provider for the service of photocopier machines	Yes		01/03/2013	29/02/2016	Ongoing
KHEMANO PRODUCTIONS	Event management company to assist in organising three years HIV/AIDS Benefit Concert	Yes		14/09/2012	31/12/2014	Ongoing
SALCORP 101 CC	Procurement of a service provider to produce and print Fezile Dabi News Publication for a period of two years	Yes		11/09/2012	31/08/2014	Ongoing

**Appendix I: Municipal Entity/Service Provider Performance Schedule**

Name of Service Provider	Name of Project	SLA signed		Specs met		Status	Performance as at 30 June 2013
		Yes	No	Yes	No		
C-SONKE INVESTMENTS	Service Provider to Develop, Design & Printing of annual report for the period of two years.	Yes		Yes		In progress	Satisfactory
SEDTRADE(PTY)LTD	Construction for the upgrade of the existing stadium in Qalabotjha(Villiers)	Yes		Yes		In progress	Satisfactory
BDO CONSULTING SERVICES	Review pf financial policies	Yes		Yes		Completed	Satisfactory
REMMOHO ELECTRICAL CC	Electrification of 200 stands in Edenville	Yes		Yes		In progress	Satisfactory
THE CURVEBEHIND TRADING 309 CC	Appointment of a contractor in terms of a maintenance agreement for air conditioners	Yes		Yes			Satisfactory
SIMONS & LEE ARCHITECTS	Appointment of architectural services	Yes		Yes		In progress	Satisfactory
ABSA BANK	Commercial Bank Services	Yes		Yes			Satisfactory
SEDTRADE(PTY)LTD	RE-Advert: Construction of sewer house connections for Gortin Sanitation Phase 3	Yes		Yes		In progress	Satisfactory
ECOCARE CONSULTING	Service provider to develop a tourism sector plan	Yes		Yes			Satisfactory
LYON & VENNOTE PARTNERS(PTY)LTD	Procurement of electrical engineering consultant	Yes		Yes		In progress	Satisfactory
NASHUA	RE-Advert: Appointment of service provider for the service of photocopier machines	Yes		Yes		Ongoing	Satisfactory
KHEMANO PRODUCTIONS	Event management company to assist in organising three years HIV/AIDS Benefit Concert	Yes		Yes		Ongoing	Satisfactory
SALCORP 101 CC	Procurement of a service provider to produce and print Fezile Dabi News Publication for a period of two years	Yes		Yes		Ongoing	Satisfactory

Appendix J: Disclosure of Financial Interest

J 1: Disclosure of Financial Interests by Councillors

MUNICIPALITY	REPRESENTATIVE	PARTY	DECLARATION OF INTEREST MADE (YES/NO)
	MP MOSHODI (EXECUTIVE MAYOR)	ANC	YES
	KGL NKETU (SPEAKER)	ANC	YES
MAFUBE	L.KUBEKA	ANC	YES
	M.MOSIA	ANC	YES
METSIMAHOLO	T.SOETSANG	ANC	YES
	L.CHEBASE		NO
	M.POHO	ANC	YES
	NJ KUBHEKA	ANC	YES
	S.HOLT	DA	NO
	G.NTOANE	DA	YES
MOQHAKA	M.MBONO	ANC	YES
	Z.MAGADLELA	ANC	YES
	T.KOLOI	ANC	YES
	M.NOTSI	ANC	NO
	W.MAKOELE	DA	YES
	A.VILJOEN	DA	YES
NGWATHE	C.SERFONTEIN	DA	NO
	K.KHUMALO	ANC	YES
	A.OLIPHANT	ANC	YES
	M.E MAGASHULE	ANC	YES
	L.HLAPANE	ANC	YES
FEZILE DABI DISTRICT MUNICIPALITY	N G GUZA	ANC	NO
	MS TAJE	ANC	YES
	M.L PIETERSEN	ANC	YES
	T.MAHAKAZELA	ANC	NO
	DSL GEORGE	ANC	YES
	M.E MOKOENA	ANC	NO
	D.DE HART	COPE	NO
	S.PITTAWAY	DA	NO
	M.C SPRUIT	DA	NO
	P.VAN DERWESTHUIZEN	DA	NO

**J 2: Disclosure of Financial Interest by Senior Management**  
**Pending details**

**Appendix K: Revenue Collection Performance**

Not applicable to Fezile Dabi District Municipality

**Appendix L: Conditional Grants Received: Excluding MIG**  
*To be updated with audited FS Annexures*

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**Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG**

Schedule of capital projects available, responsible department to indicate which new projects were and which upgrades were

**Appendix N: Capital Programme by Project current year**  
**To be update with final Annexures to the audited AFS**



**Appendix O: Capital Programme by project by Ward current year**

**To be update with final Annexures to the audited AFS**

**Appendix P: Service Connection Backlogs at Schools and Clinics**

Not applicable to Fezile Dabi District Municipality

**Appendix Q: Service Backlogs Experienced by the Community  
where another Sphere of Government is Responsible for  
Service Provision**

Not applicable to Fezile Dabi District Municipality

**Appendix R: Declaration of Loans and Grants Made by the Municipality**

**To be confirmed!**

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**Appendix S: Declaration of Returns not Made in due Time  
under MFMA s71**

**Appendix T: National and Provincial Outcome for local government**

**To be finalised after consultation with National & Provincial Stakeholders**

**VOLUME I: REPORT OF THE AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE  
FEZILE DABI DISTRICT MUNICIPALITY**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

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

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

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

**Auditor-general's responsibility**

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

**Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fezile Dabi District Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**Predetermined objectives**

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

**Compliance with laws and regulations**

11. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My finding on material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA, is as follow:

**Annual financial statements and annual report**

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

**Internal control**

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

**Leadership**

14. Oversight of financial reporting and related internal controls was not effective during the year due to a lack of monitoring.

**Financial and performance management**

15. The staff members of the municipality did not fully implement controls in respect of the daily financial activities and ensure that all transactions are correctly recorded in the records of the municipality. Management also did not ensure that adequate controls were in place to detect and correct all errors in the financial records.
16. The financial statements were subjected to material corrections resulting from the audit process, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting and weaknesses in the information systems of the municipality.

Bloemfontein

**30 November 2013**



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



VOLUME II: ANNUAL FINANCIAL STATEMENTS

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	District Municipality
Mayoral committee	
Executive Mayor	Cllr M P Moshodi
Councillors	Cllr SI Mbalo (Speaker) [Resigned 31 May 2013] Cllr KGL Nketu (Speaker) Cllr ME Notsi Cllr AM Olifant Cllr K Khumalo Cllr GN Guza Cllr ME Magashule Cllr ML Hlapane
Grading of local authority	Low Capacity
Accounting Officer	Dr. MMV Mongake (01/07/2011 to 30/09/2012) ML Molibeli (01/10/2012 to date)
Chief Finance Officer (CFO)	G Mashiyi
Registered office	John Vorster Road Sasolburg 1947
Postal address	P.O Box 10 Sasolburg 1947
Bankers	ABSA BANK
Auditors	The Auditor – General: Free State
Attorneys	Manoko Attorneys Peyper Attorneys Inc

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

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FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**Abbreviations:**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
EPWP	Expanded Public Works Programme
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Intergrated Development Plan
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)
FDDM	Fezile Dabi District Municipality
DWA	Department of Water Affairs
COGTA	Cooperative Governance and Traditional Affairs

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**Accounting Officer's Responsibilities and Approval**

I am responsible for the presentation of these financial statements which are set out on page 5 to 69 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), and which I have signed on behalf of the Municipality.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 18 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

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**Municipal Manager**  
**ML Molibeli**  
**Hons & Masters: Public Governance and**  
**Management**

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**STATEMENT OF FINANCIAL POSITION**

	Note(s)	2013 R	2012 R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	7 823 375	293 584
VAT receivable	4	1 956 041	4 058 561
Cash and cash equivalents	5	160 410 675	190 824 792
		<b>170 190 091</b>	<b>195 176 937</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	32 833 052	25 949 400
Intangible assets	7	358 362	535 559
		<b>33 191 414</b>	<b>26 484 959</b>
<b>Total Assets</b>		<b>203 381 505</b>	<b>221 661 896</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	17 504 160	17 309 626
Unspent conditional grants and receipts	9	7 360 048	35 507 082
Current portion of long term loans	10	5 919 300	5 293 499
		<b>30 783 508</b>	<b>58 110 207</b>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation	11	8 417 000	6 440 000
Provision for Long service awards	12	7 190 000	5 677 000
Long term Liabilities	10	14 507 239	20 426 539
Operating lease liability		44 103	209 355
		<b>30 158 342</b>	<b>32 752 894</b>
<b>Total Liabilities</b>		<b>60 941 850</b>	<b>90 863 101</b>
<b>Net Assets</b>		<b>142 439 655</b>	<b>130 798 795</b>
Reserves			
Revaluation reserve	13	16 466 211	7 835 140
Accumulated surplus		125 973 444	122 963 655
<b>Total Net Assets</b>		<b>142 439 655</b>	<b>130 798 795</b>

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**STATEMENT OF FINANCIAL PERFORMANCE**

		2013	Restated 2012
	Note(s)	R	R
<b>Revenue</b>			
Administration and management fees received		59 280	46 450
Fees earned		-	272 233
Recoveries		-	13 381
Other income	15	1 410 161	2 212 514
Interest received – investment	16	9 420 228	10 466 965
Government grants & subsidies	14	134 627 219	129 393 000
<b>Total Revenue</b>		<b>145 516 888</b>	<b>142 404 543</b>
<b>Expenditure</b>			
Employees related costs	17	(65 916 417)	(56 907 301)
Remuneration of councillors	18	(5 964 912)	(5 414 800)
Administrative expense	19	(799 788)	(691 835)
Impairment loss on property, plant and equipment		(88 810)	-
Depreciation and amortisation	20	(3 814 940)	(3 852 082)
Bad debt written off	21	-	(724 431)
Finance charges	22	(2 922 635)	(3 488 495)
Provision for doubtful debts		(198 462)	-
Repairs and maintenance		(711 796)	(641 844)
Contracted services	23	(11 540 410)	(15 043 831)
Grants and subsidies paid	24	(13 784 803)	(8 472 580)
Loss on disposal of assets		(579 097)	(348 351)
General Expenses	25	(36 924 061)	(39 524 229)
<b>Total Expenditure</b>		<b>(142 667 034)</b>	<b>(134 761 428)</b>
<b>Operating surplus</b>		<b>2 849 854</b>	<b>7 643 115</b>
Loss on disposal of assets		(9 963)	(579 097)
<b>Surplus for the year</b>		<b>2 839 891</b>	<b>7 064 018</b>

**FEZILE DABI DISTRICT MUNICIPALITY**  
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**FEZILE DABI DISTRICT MUNICIPALITY**  
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**STATEMENT OF CHANGES IN NET ASSETS**

	Revaluation Reserve	Capital Replacement Reserve	Total reserves	Accumulated Surplus	Total net Assets
	R	R	R	R	R
Opening balance as previously reported	8 181 602	4 019 492	12 201 094	104 495 281	116 696375
Adjustments					
Prior year error (Note 28)	-	-	-	654 054	654 054
<b>Balance as at 01 July 2011 as restated</b>	<b>8 181 602</b>	<b>4 019 492</b>	<b>12 201 094</b>	<b>105 149 335</b>	<b>117 350 429</b>
Changes in net assets					
Recognition reserve realised	(346 462)	-	(346 462)	346 462	-
Corrections – Prior Period Error (Note – 28)	-	-	-	6 384 348	6 384 348
Disestablishment of the Capital Replacement Reserve (CRR)	-	(4 019 492)	(4 019 492)	4 019 492	-
Net income (losses) recognised directly in net assets	(346 462)	(4 019 492)	(4 365 954)	10 750 302	6 384 348
Surplus for the year	-	-	-	7 064 018	7 064 018
Total recognised income and expenses for the year	(346 462)	(4 019 492)	(4 365 954)	17 814 320	13 448 366
Total changes	(346 462)	(4 019 492)	(4 365 954)	17 814 320	13 448 366
Opening balance as previously reported	<b>7 835 140</b>	-	<b>7 835 140</b>	<b>117 091 030</b>	<b>124 926 170</b>
Adjustments					
Prior year error (Note 28)	-	-	-	5 872 625	5 872 625
<b>Balance at 1 July 2012as restated</b>	<b>7 835 140</b>	-	<b>7 835 140</b>	<b>122 963 655</b>	<b>130 798 795</b>
Changes in net assets					
Revaluation reserve realised	(346 462)	-	(346 462)	342 462	-
Other corrections	-	-	-	(176 564)	(176 564)
Revaluation Surplus	8 993 723	-	8 993 723	-	8 993 723
Devaluation on Land	(16 190)	-	(16 190)	-	(16 190)
Net income (losses) recognised directly in net assets	8 631 071	-	8 631 071	169 898	8 800 969
Surplus for the year	-	-	-	2 839 891	2 839 891
Total recognised income and expenses for the year	8 631 071	-	8 631 071	3 00 789	11 640 860
Total charges	8 631 071	-	8 631 071	3 00 789	11 640 860
<b>Balance at 30 June 2013</b>	<b>16 466 211</b>	-	<b>16 466 211</b>	<b>125 973 444</b>	<b>142 439 655</b>
Note(s)	13				

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

<b>CASH FLOW STATEMENT</b>		2013	Restated 2012
	Note(s)	R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		134 627 219	129 393 000
Interest income		9 420 228	10 466 965
Other receipts		1479 127	2 544 578
		<u>145 526 574</u>	<u>142 404 543</u>
<b>Payments</b>			
Employee costs		(67 918 942)	(62 322 101)
Suppliers		(97 997 728)	(84 013 330)
Finance costs		( 2 922 635)	(3 488 495)
		<u>(168 839 305)</u>	<u>(149 823 926)</u>
<b>Net cash flows from operating activities</b>	26	<u><b>(23 312 731)</b></u>	<u><b>(7 419 383)</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(1 642 635)	(2 610 726)
Proceeds from sale of property, plant and equipment	6	9 963	579 097
Purchase of intangible assets	7	-	(56 848)
Loss from sale of property, plant and equipment		(9 963)	(579 097)
		<u><b>(1 642 635)</b></u>	<u><b>(2 667 574)</b></u>
<b>Cash flows from financing activities</b>			
Movement in long term liabilities		(5 293 499)	(4 727 638)
Movement in operating lease liability		(165 252)	(558 983)
		<u><b>(5 458 751)</b></u>	<u><b>(5 286 621)</b></u>
<b>Net increase /(decrease) in cash and cash equivalent</b>		<b>(30 414 117)</b>	<b>(15 373 578)</b>
Cash and cash equivalents at the beginning of the year		<u>190 824 792</u>	<u>206 198 370</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u><b>160 410 675</b></u>	<u><b>190 824 792</b></u>



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FEZILE DABI DISTRICT MUNICIPALITY  
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**Statement of Comparison of Budget and Actual Amounts**  
Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amount on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Administration and management fee received	40 000	-	40 000	59 280	19 280	
Other income	80 000	-	80 000	1 410 161	1 330 161	Note 15
Interest received - investment	10 503 100	-	10 503 100	9 420 228	(1 082 872)	Note 16
<b>Total revenue from exchange transactions</b>	<b>10 623 100</b>	<b>-</b>	<b>10 623 100</b>	<b>10 889 669</b>	<b>266 569</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	134 586 000	10 000 000	144 586 000	134 627 219	9 958 781	Note 14
<b>Total revenue</b>	<b>145 209 100</b>	<b>10 000 000</b>	<b>155 209 100</b>	<b>145 516 888</b>	<b>9 692 212</b>	
<b>Expenditure</b>						
Personnel	(71 836 032)	(629 500)	<b>(72 465 532)</b>	(65 916 417)	<b>6 549 115</b>	Note 17
Remuneration of councillors	(6 047 800)	(552 000)	<b>(6 599 800)</b>	(5 964 912)	<b>634 888</b>	Note 18
Administration	(690 000)	(143 000)	<b>(833 000)</b>	(799 788)	<b>33 212</b>	Note 19
Impairment on property, plant and equipment	25 018 042	16 349 373	<b>41 367 415</b>	(88 810)	<b>(41 456 225)</b>	
Depreciation and amortisation	(3 495 600)	-	<b>(3 495 600)</b>	(3 814 940)	<b>(319 340)</b>	Note 20
Finance costs	(8 299 500)	-	<b>(8 299 500)</b>	(2 922 635)	<b>5 376 865</b>	Note 22
Debt impairment	-	-	-	(198 462)	<b>(198 462)</b>	
Repairs and maintenance	(1 134 010)	(130 000)	<b>(1 264 010)</b>	(711 796)	<b>552 214</b>	
Contracted Services	(8 677 800)	(5 510 773)	<b>(14 188 573)</b>	(11 540 410)	<b>2 648 163</b>	Note 23
Grants and subsidies paid	(16 100 000)	(18 522 000)	<b>(34 622 000)</b>	(13 784 803)	<b>20 837 197</b>	Note 24
General Expenses	(60 076 700)	(9 950 000)	<b>(70 026 700)</b>	(36 924 061)	<b>33 102 639</b>	Note 25
<b>Total expenditure</b>	<b>(151 339 400)</b>	<b>(19 087 900)</b>	<b>(170 427 300)</b>	<b>(142 667 034)</b>	<b>25 112 103</b>	
<b>Operating surplus</b>	<b>(6 130 300)</b>	<b>(9 087 900)</b>	<b>(15 218 200)</b>	<b>2 849 854</b>	<b>18 068 054</b>	
Loss on disposal of assets and liabilities	-	-	-	(9 963)	<b>(9 963)</b>	
<b>Surplus before taxation</b>	<b>(6 130 300)</b>	<b>(9 087 900)</b>	<b>(15 218 200)</b>	<b>2 839 891</b>	<b>18 058 091</b>	
<b>Actual amount on comparable basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(6 130 300)</b>	<b>(9 087 900)</b>	<b>(15 218 200)</b>	<b>2 839 891</b>	<b>18 058 091</b>	

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1. Basis of Presentation**

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

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

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

**1.1 Presentation of currency**

These annual financial statements are presented in South African Rand.

**1.2 Revaluation reserve**

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

**1.3 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

FEZILE DABI DISTRICT MUNICIPALITY  
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ACCOUNTING POLICIES

1.3 Properly, plant and equipment (continued)

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

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

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses except land and buildings which are revalued at least every five years. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Land and buildings are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in respect of buildings.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

The annual depreciation rates are based on the following estimated asset useful lives;

Item	Average useful life
Land	Indefinite
Buildings	30 years
Furniture and Fittings	3 - 10 years

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ACCOUNTING POLICIES

1.3 Properly, plant and equipment (continued)

Motor Vehicles	
• Ambulances	5 - 10 years
• Fire engines	20 years
• Buses	15 years
• Trucks and light delivery vehicles	5 - 7 years
• Ordinary motor vehicles	5 - 7 years
• Motor cycles	3 years
Office Equipment	
• Office machines	3 - 5 years
• Air conditioners	5 - 7 years
Computer Equipment	
• Computer hardware	5 years
• Computer software	3 - 5 years
Plant and machinery	
• Laboratory equipment	5 years
• Telecommunication equipment	5 years
Other property, plant and equipment	
• Lawn mowers	2 years
• Compressors	5 years
• Radio equipment	5 years
• Firearms	5 years
• Emergency equipment - Fire hoses	5 years
• Fire fighting equipment	15 years
• Emergency lights	5 years

The assets' residual value, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

FEZILE DABI DISTRICT MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.3 Property, plant and equipment (continued)**

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

**Impairment**

The entity assess at each report date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

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

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in the standard of GRAP on Property, Plant and Equipment). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall, except as described in paragraph. 65 of GRAP 2, be increased to its recoverable service amount. That increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods.

A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit unless the asset is carried at revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in the standard of GRAP on Property, Plant and Equipment). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that Standard of GRAP.

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

**Derecognition**

The carrying amount of an item of property, plant and equipment shall be derecognised:

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

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognised. (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

FEZILE DABI DISTRICT MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments**

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

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

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

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

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

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

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

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

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

FEZILE DABI DISTRICT MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments (Continued)**

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments (Continued)**

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

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

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

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

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

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

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

**Classification**

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

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

**Initial recognition**

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

The municipality recognises financial assets using trade date accounting.



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ACCOUNTING POLICIES

1.4 GRAP 104 Financial Instruments (Continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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

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

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

Fair value measurement considerations

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

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments (Continued)**

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

**Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

**Derecognition**

**Financial assets**

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments (Continued)**

**Gains and losses (continued)**

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

**Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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**ACCOUNTING POLICIES**

**1.4 GRAP 104 Financial Instruments (Continued)**

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the municipality directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

**1.5 Revenue Recognition**

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.

Interest revenue is recognised using the effective Interest rate method.

Government grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised.

Amounts received from government and donors for the purpose of acquiring item of property, plant and equipment are also recognised as revenue.

**Measurement**

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

**1.6 Conditional grants and receipts**

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

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent conditional grants are recognised as a liability when the grant is received.  
When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.  
The cash which backs up the creditor is invested until it is utilised.  
Interest earned on the investment is treated in accordance with the grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's income it is recognised as interest earned in the Statement of Financial Performance.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.7 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the on-going activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed. Note: 44

FEZILE DABI DISTRICT MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.7 Provisions and contingencies (continued)**

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

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

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

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

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

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

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

**1.8 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.

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

**1.9 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act NO.56 of 2003), the municipal system Act (Act No.32 of 2000), the Public Office Bearer Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as revenue in the Statement of Financial Performance.

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.



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## **ACCOUNTING POLICIES**

### **1.10 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.

### **1.11 Leases**

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

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

#### **Finance leases - lessor**

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

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

#### **Finance leases – lessee**

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

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

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

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

#### **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 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

FEZILE DABI DISTRICT MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.12 Borrowing costs**

Borrowing costs are recognised as an expense in the statement of financial performance In the period in which they are incurred.

**1.13 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 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.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

**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.



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**ACCOUNTING POLICIES**

**1.13 Employee benefits (continued)**

**Post retirement obligations**

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

**1.14 Comparative figures**

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

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparative are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**1.15 GRAP 23 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entitles, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.15 GRAP 23 Revenue from non-exchange transactions (continued)**

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

**Taxes**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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**ACCOUNTING POLICIES**

**1.15 GRAP 23 Revenue from non-exchange transactions (continued)**

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

**Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

**Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

**1.16 Significant judgements and sources of estimation uncertainty**

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

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

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

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.16 Significant judgements and sources of estimation uncertainty (continued)**

**Fair value estimation**

The fair value of financial instruments traded in active markets, such as trading and available-for-sale securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and supply demand, together with economic factors such as exchange rates, inflation and interest.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in a note 12

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

**Useful lives and residual values**

The municipality's management determines the estimated useful lives and related depreciation charges for its assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.16 Significant judgements and sources of estimation uncertainty (continued)**

**Post-retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

**Effective interest rate**

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

**Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

**1.17 Intangible assets**

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.16 Significant judgements and sources of estimation uncertainty (continued)

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

Item	Useful life
Computer software, other	3 - 10 years

Intangible assets are derecognised:

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

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

1.18 Tax

Value Added Tax (VAT)

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.19 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

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

Useful life is either:

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

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.19 Impairment of non-cash-generating assets (continued)**

**Identification**

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

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

**Value in use**

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

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

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.19 Impairment of non-cash-generating assets (continued)**

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

**Reversal of an Impairment loss**

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

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

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

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

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

**Redesignation**

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

**1.20 Use of estimates**

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

**1.21 Offsetting**

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

**1.22 Segmental Information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.



FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

## ACCOUNTING POLICIES

### 1.23 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

### 1.24 GRAP 24 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

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

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

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

### 1.25 Related parties

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

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

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**ACCOUNTING POLICIES**

**1.26 Contractual Commitments**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**1.27 Subsequent Events**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation:	Effective date: Years beginning on or after	Expected Impact:
<ul style="list-style-type: none"><li>GRAP 23: Revenue from Non-exchange Transactions</li></ul>	01 April 2012	The standard will not have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 24: Presentation of Budget Information in the Financial Statements</li></ul>	01 April 2012	Additional disclosure is to be included in the financial statements. Please refer to the Statement of Comparison of Budget and Actual Amounts for disclosure.
<ul style="list-style-type: none"><li>GRAP 103: Heritage Assets</li></ul>	01 April 2012	Due to the implementation of GRAP 103, certain heritage assets will be reclassified to other assets (primarily Property, Plant and Equipment) as these assets no longer fit the definition of heritage assets
<ul style="list-style-type: none"><li>GRAP 21: Impairment of non-cash-generating assets</li></ul>	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none"><li>GRAP 26: Impairment of cash-generating assets</li></ul>	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none"><li>GRAP 104: Financial Instruments</li></ul>	01 April 2012	Significant impact due to valuation of assets. There will be significant changes. This main changes relates to the classification of the different categories of financial instruments and the changes in provision for impairment.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

New standards and interpretations (continued)

2.2 Standards and interpretations Issued, but not yet effective

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

Standard/Interpretation:	Effective date: Years beginning on or after	Expected Impact:
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 25: Employee benefits</li></ul>	01 April 2013	The most significant impact of the standard relates to actuarial gains and losses that may now only be recognised in full in the year that it arises (no more options).
<ul style="list-style-type: none"><li>GRAP 105: Transfers of functions between entities under common control</li></ul>	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 106: Transfers of functions between entities not under common control</li></ul>	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 107: Mergers</li></ul>	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 11: Consolidation - Special purpose entitles</li></ul>	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"><li>GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li></ul>	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

New standards and interpretations (continued)

• GRAP 7 (as revised 2010): Investments in Associates	1 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	1 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies,	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• Change in Accounting Estimates and Errors	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 7 (as revised 2012): Investments in Associates	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 12 (as revised 2012): Inventories	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 13 (as revised 2012): Leases	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 16 (as revised 2012): Investment Properly	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	1 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP16: Intangible assets website costs	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
<b>3. Trade and other receivables</b>		
Provision for doubtful debts: Tshabalala & Dhlamini	(198 462)	-
Suspense	19 671	33 282
Dept of Sport Grant: FDDM Stadium	440 002	-
Fuel deposit	1 000	1 000
Pick n Pay Card	2 251	2 251
S Tshabalala – Vehicle Loan	35 960	35 960
Other debtors	1 085 428	-
Bursary recoupments	5 430	56 089
N Xaba - Vehicle	-	2 500
S Dhlamini - Vehicle	162 502	162 502
Recoverable Funeral Expenses: MEC Health	6 269 593	-
	<b>7 823 375</b>	<b>293 584</b>

The MEC's Funeral expenses will be recovered from the following suppliers;

- KV2 Trading 5432
- Clean Heat energy saving solutions (pty) ltd
- Empire Consulting
- Setshabelo Trading (620)
- FX Energy

Trade and other receivables pledged as security

None of the Trade and Other receivables was pledged as security by the municipality during the financial year.

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 198,462 (2012: R 198,462) were impaired and provided for.

The amount of the provision was R 198,462 as of 30 June 2013 (2012: R -)

The ageing of these loans is as follows:

Over 6 months	198.462	-
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FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
<b>4. VAT receivable</b>		
VAT	<u>1 956 041</u>	<u>4 058 561</u>

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The municipality is registered for VAT on a payment basis, and VAT is declared to SARS on a monthly basis.

All VAT returns have been submitted by the due date throughout the year

	2013 R	2012 R
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	31 595 916	68 305 534
Short-term deposits	<u>128 814 759</u>	<u>122 519 258</u>
	<b><u>160 410 675</u></b>	<b><u>190 824 792</u></b>

Short term deposits are for periods which are less than 3 months.

**Short-term deposits consist of the following balances at various Institution**

Absa Bank	40 475 074	38 524 139
Nedbank	31 142 958	29 608 219
Rand Merchant Bank	11 463 949	10 941 142
Standard Bank	<u>45 676 319</u>	<u>43 445 758</u>
	<b><u>128 758 300</u></b>	<b><u>122 519 258</u></b>

**The municipality had the following bank accounts**

**Cheque Account**

**ABSA BANK – Sasolburg**

**Account number: 520000100**

Cash book balance at the beginning of the year	3 667 675	21 674 920
Cash book balance at the end of the year	3 586 712	3 667 675
Bank statement balance at the beginning of the year	3 838 931	24 718 509
Bank statement balance at the end of the year	<u>3 744 526</u>	<u>3 835 931</u>

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

<b>5. Cash and cash equivalents (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>Savings Account</b>		
<b>ABSA Bank – Sasolburg</b>		
<b>Account Number: 9070399717</b>		
Cash book balance at the beginning of the year	63 210 824	67 484 814
Cash book balance at the end of the year	25 546 554	63 210 824
Bank statement balance at the beginning of the year	63 210 824	67 484 814
Bank statement balance at the end of the year	<u>25 546 554</u>	<u>63 210 824</u>

<b>HIV/Aids Project Bank Account</b>		
<b>ABSA Bank – Sasolburg</b>		
<b>Account number: 9209269956</b>		
Cash book balance at the beginning of the year	1 427 035	1 189 219
Cash book balance at the end of the year	2 462 650	1 427 035
Bank statement balance at the beginning of the year	1 427 035	1 189 219
Bank statement balance at the end of the year	<u>2 462 650</u>	<u>1 427 035</u>

**6. Property, plant and equipment**

	<b>2013</b>			<b>2012</b>		
	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>
Land	2 590 000	-	2 590 000	2 025 000	-	2 025 000
Buildings	19 729 696	-	19 729 696	14 718 126	(2 722 201)	11 995 925
Plant and machinery	204 945	(47 056)	157 889	204 945	(36 295)	168 650
Furniture & fittings	4 479 787	(3 022 409)	1 457 378	4 006 006	(2 677 394)	1 328 612
Motor vehicles	9 339 821	(4 222 401)	5 117 420	8 760 272	(2 942 268)	5 818 004
Office equipment	1 702 085	(1 139 059)	563 026	1 689 566	(937 426)	752 140
Computer equipment	5 559 034	(3 982 485)	682 460	5 321 858	(3 358 446)	1 963 412
Other Assets	2 892 253	(1 251 159)	1 641 094	2 778 213	(880 556)	1 897 657
<b>Total</b>	<b>46 497 621</b>	<b>(13 664 569)</b>	<b>32 833 052</b>	<b>39 503 986</b>	<b>(13 554 586)</b>	<b>25 949</b>



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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Property, plant and equipment

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Devaluation	Revaluation Surplus	Depreciations	Carrying Value
Land	2 025 00	-	-	(105 000)	670 000	-	2 590 000
Buildings	11 995 925	-	-	-	8 323 723	(589 952)	19 729 696
Plant and machinery	168 850	-	-	-	-	(10 761)	157 889
Furniture & fixtures	1 328 612	577 205	(8 991)	-	-	(439 448)	1 457 378
Motor vehicles	5 818 004	579 550	-	-	-	(1 280 134)	5 117 420
Office equipment	752 140	35 631	-	-	-	(224 745)	563 026
Computer equipment	1 963 412	336 210	(972)	-	-	(722 101)	1 576 549
Other Assets	1 897 657	114 039	-	-	-	(370 602)	1 641 094
<b>Total</b>	<b>25 949 400</b>	<b>1 642 635</b>	<b>(9 963)</b>	<b>(105 000)</b>	<b>8 993 723</b>	<b>( 3 637 743)</b>	<b>32 833 052</b>

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Correction of Error	Depreciations	Carrying Value
Land	2 025 000	-	-	-	-	2 025 000
Buildings	11 812 858	340 544	-	490 315	(647 792)	11 995 925
Plant and machinery	179 410	-	-	-	(10 760)	168 650
Furniture & fixtures	970 667	217 786	(5 400)	579 145	(433 586)	1 328 612
Motor vehicles	6 178 254	1 523 661	(573 697)	153 647	(1 463 861)	5 818 004
Office equipment	340 856	157 277	-	425 681	(171 674)	752 140
Computer equipment	882 291	270 367	-	1 426 299	(615 545)	1 963 412
Other Assets	2 017 496	101 091	-	129 686	(350 616)	1 897 657
<b>Total</b>	<b>24 406 832</b>	<b>2 610 726</b>	<b>(579 097)</b>	<b>(579 097)</b>	<b>(3 693 834)</b>	<b>25 949 400</b>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
<b>6. Property, plant and equipment (continued)</b>		
<b>Pledged as security</b>		
No property, plant and equipment was pledged as security for liabilities.		
<b>Revaluations</b>		
The effective date of the revaluations was 28 June 2013. Revaluations were performed by Kgolofelo Property Services CC an independent valuer. Valuations were made on the basis of recent market transactions on arm length terms. The revaluation surplus was credited to revaluation reserve.		
Land and buildings are re-valued independently every 5 years.		
The carrying value of the revalued assets under the cost model would have been:		
Land	178 810	178 810
Buildings	3 013 531	4 865 717
<b>Other Information</b>		
<b>Property, plant and equipment fully depreciated and still in use (Gross carrying amount)</b>		
Computer Equipment	634 896	4 156 241
Furniture and Fittings	335 808	2 296 970
Buildings	-	750 425
Motor Vehicles	-	45 000
Office Equipment	89 784	1 194 777
Other Assets	49 744	321 234
	<b>1 110 232</b>	<b>8 764 647</b>

Key Assumptions used to determine the recoverable service amount of assets during the period:

The municipality conducted a stock-take/asset count, and in this process the assets' conditions were assessed, and it was determined that no assets were identified to be impaired.

No further information is therefore disclosed, as there were no assets impaired during the period under review.

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**7. Intangible assets**

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Microsoft Exchange 2010	56 848	(18 949)	37 899	56 848	-	56 848
Caseware	173 950	(91 807)	82 142	173 950	(62 815)	111 135
Microsoft Office 2007	163 027	(129 063)	33 964	163 027	(108 685)	54 342
E-Venus	468 460	(375 744)	92 716	468 460	(317 186)	151 274
Server Software	241 070	(147 056)	94 015	241 071	(107 867)	133 204
Payday System	89 052	(71 427)	17 625	89 052	(60 296)	28 756
<b>Total</b>	<b>1 192 408</b>	<b>(834 046)</b>	<b>358 362</b>	<b>1 192 408</b>	<b>(656 849)</b>	<b>535 559</b>

**Reconciliation of intangible assets – 2013**

	Opening balance	Amortisation	Carrying Value
Caseware	111 135	(28 992)	82 143
E-Venus	151 274	(58 558)	92 716
Microsoft Exchange 2010	56 848	(18 949)	37 899
Microsoft Office 2007	54 342	(20 378)	33 964
Payday System	28 756	(11 131)	17 625
Sever Software	133 204	(39 189)	94 015
	<b>535 559</b>	<b>(177 197)</b>	<b>358 362</b>

**Reconciliation of intangible assets – 2012**

	Opening Balance	Additions	Correction of Error	Amortisation	Carrying Value
Caseware	106 303	-	33 824	(28 992)	111 135
E-Venus	-	-	209 831	(58 557)	151 274
Microsoft Exchange 2010	-	56 848	-	-	56 848
Microsoft Office 2007	-	-	74 721	(20 379)	54 342
Payday System	-	-	39 887	(11 131)	28 756
Sever Software	108 422	-	63 971	(39 189)	133 204
	<b>(834 046)</b>	<b>358 362</b>	<b>1 192 408</b>	<b>(656 849)</b>	<b>535 559</b>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Intangible assets (continued)

	2013 R	2012 R
Other information		
Fully amortized intangible assets still in use	4 094	4 094
Fully amortised intangible assets still in use consist of:		
- MS Exchange 2003 Server		

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose title is restricted

There are no contractual commitments for the acquisition of intangible assets.

8. Trade and other payables

Trade Payables	9 235 981	4 634 679
Retention Creditors	2 233 805	7 885 708
Staff Leave Accrual	4 454 278	3 467 588
Service Bonus Accrual	1 508 096	1 321 651
	<u>17 504 160</u>	<u>17 309 626</u>

9. Unspent conditional grants and receipts

See appendix “F2” for a detailed reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld during the year.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>9. Unspent conditional grants and receipts (continued)</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
RWF Feasibility Study Funding	-	450 00
Department of Health – Relebohile Clinic: Ngwathe Local Municipality	3 042 714	4 335 865
Department of Roads, Transport and Police – Internal Roads: Ngwathe Local Municipality	732 391	732 391
EPWP Project – Sidewalks: Metsimaholo Local Municipality	509 434	117 428
Department of Public Works – Church: Ngwathe Local Municipality	85 794	85 794
Department of Sports – Grant: Fezile Dabi Stadium	-	24 410 077
EPWP – Metsimaholo Hospital	1 253 366	2 278 555
DWAF	137 294	656 147
EPWP – Upgrading and construction of street network within the Ngwathe Municipal Area	-	540 825
LOTTO Grant	1 599 055	1 900 000
	<b>7 360 048</b>	<b>35 507 082</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	35 507 082	56 661 118
Additions during the year	11 541 688	20 534 284
Income recognition during the year	(39 688 722)	(41 688 320)
	<b>7 360 048</b>	<b>35 507 082</b>

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.

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

**10. Long term loans**

Loans from DBSA		
External loans	20 426 539	25 720 038
Less: Current portion transferred to current liabilities	(5 919 300)	(5 293 499)
	<b>14 507 239</b>	<b>20 426 539</b>

FEZILE DABI DISTRICT MUNICIPALITY  
 Annual Financial Statements for the year ended 30 June 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
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**11. Retirement benefit obligation**

**Defined benefit plan**

The defined benefit plan to which employees belong, consist of the Free State Municipal Pension Fund and the Councillors Pension fund governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position

**Post-retirement medical aid plan**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employees) members	110	107
Continuation members (e.g: Retirees, widows, orphans)	3	3
	<u>113</u>	<u>110</u>

The municipality make monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme
- Hosmed Medical Scheme
- Samwumed Medical Scheme
- KeyHealth Medical Scheme
- Discovery Medical Scheme

**The amounts recognised in the statement of financial position are as follows:**

**Carrying value**

Present value of the defined benefit obligation-wholly unfunded	(6 440 000)	(5 643 000)
Service Cost	(628 000)	(480 000)
Interest Cost	(617 000)	(541 000)
Actuarial gains or (losses)	(819 000)	127 000
Actuarial benefits paid	87 000	97 000
<b>Net liability</b>	<u><b>(8 417 000)</b></u>	<u><b>(6 440 000)</b></u>

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 R	2012 R
<b>11. Retirement benefit obligation (continued)</b>		
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	9.30%	9.20%
Healthcare cost inflation	8.00%	7.50%
Net discount rate	1.20%	1.58%

The basis on which the discount rate has been determined is as follows:

The discount rate used in the valuation is determined by reference to market yields on high quality corporate bonds as at the balance sheet date. In countries where there is no deep market in corporate bonds, government bonds are used. It is currently market practice to use government bond yields, as South African corporate bond market is not considered to be sufficiently developed. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on a zero-coupon government bond with a term of approximately 20 years, the expected duration of the liability based on the current membership data, as at 30 June 2013

**Defined contribution plan**

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

FEZILE DABI DISTRICT MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>12. Provision for Long service awards</b>		
<b>Reconciliation of provision for long service awards - 2013</b>		
	Opening Balance	Contributions
Long Service Awards	5 677 000	1 513 000
	<b>Total</b>	<b>7 190 000</b>
<b>Reconciliation of provision for long service awards - 2012</b>		
	Opening Balance	Contributions
Long Service Awards	4 707 000	970 000
	<b>Total</b>	<b>5 677 000</b>
<b>Amounts recognised in the statement of Financial Performance are as follows:</b>		
Current service cost	(1 031 000)	(849 000)
Interest Cost	(465 000)	(401 000)
Expected return on plan assets	-	-
Actuarial gains/(losses)	(502 000)	(416 000)
Changes in asset ceiling	-	-
<b>Cash movements</b>		
Benefit payments	485 000	696 000
Employer contributions	-	-
<b>Net Expenditure recognised in the statement of Financial Performance</b>	<b>(1 513 000)</b>	<b>(970 000)</b>
<b>Amounts recognised in the statement of Financial Position are as follows:</b>		
Defined benefit obligation	(7 190 000)	(5 677 000)
Plan assets	-	-
Unrecognised actuarial (gains)/losses	-	-
	<b>(7 190 000)</b>	<b>(5 677 000)</b>

The provision relates to the Long Service Award obligations for the municipal employees. The actuarial valuation was performed in line with the requirements of IAS 19.



FEZILE DABI DISTRICT MUNICIPALITY  
 Annual Financial Statements for the year ended 30 June 2013

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
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**12. Provision for Long service awards (continued)**

**Key assumptions used:**

Discount rate used	7.50%	8.00%
Salary inflation	8.00%	7.50%
Net discount rate	-0.46%	0.47%

The basis on which the discount rate has been determined us as follows:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yield on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

**13. Revaluation reserve**

Opening balance	7 835 140	8 181 602
Reserve realised	(346 462)	(346 462)
Revaluation surplus	8 993 723	-
Devaluation on Land (recognised against revaluation reserve)	(16 190)	-
	<u><b>16 466 211</b></u>	<u><b>7 835 140</b></u>

**Revaluation surplus relating to property, plant and equipment**

Revaluation surplus beginning of period	7 835 140	8 181 602
Movements in the reserves for the year	(346 462)	(346 462)
Revaluation surplus	<u>8 977 533</u>	<u>-</u>
	<u><b>16 466 211</b></u>	<u><b>7 835 140</b></u>

**Revaluation surplus relation to other**

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>14. Government grants and subsidies</b>		
Equitable share	131 146 000	127 132 000
Financial Management Grant	1 250 000	1 250 000
MSIG	1 000 000	790 000
Skills Levy (SETA)	231219	-
Extended Public Works Program Incentive (EPWP)	1 000 000	221 000
	<u>134 627 219</u>	<u>129 393 000</u>

**Equitable share**

Balance unspent at the beginning of the year	-	-
Current-year receipts	131 146 000	127 132 000
Conditions met-transferred to revenue	<u>(131 146 000)</u>	<u>(127 132 000)</u>
	<u>-</u>	<u>-</u>

The Equitable Share is an unconditional grant and is utilised to assist the municipalities to undertake service delivery.

**Financial Management Grant**

Balance unspent at the beginning of the year	-	-
Current-year receipts	1 250 000	1 250 000
Conditions met-transferred to revenue	<u>(1 250 000)</u>	<u>(1 250 000)</u>
	<u>-</u>	<u>-</u>

The purpose of financial management grant is to assist municipalities to implement financial reforms required by MFMA.

**MSIG**

Balance unspent at the beginning of year	-	-
Current-year receipts	1 000 000	790 000
Conditions met - transferred to revenue	<u>(1 000 000)</u>	<u>(790 000)</u>
	<u>-</u>	<u>-</u>

The fund is used to assist the district in building capacity to perform its functions and stabilize institutional and governance systems as required by the Municipal Systems Act of 2000.

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>14. Government grants and subsidies (Continued)</b>		
<b>Extended Public Works Program Incentive (EPWP)</b>		
Balance unspent at the beginning of year	-	-
Current-year receipts	1 000 000	221 000
Conditions met - transferred to revenue	<u>(1 000 000)</u>	<u>(221 000)</u>
	<u>-</u>	<u>-</u>

The extended Public Works Program Incentive grant was received by the municipality based on its ability to meet the performance requirements as set by the Department of Extended Public Works Programme.

**14. Government grants and subsidies (Continued)**

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act No. 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

**15. Other Income**

Recoveries - Officials and Councillors	2 720	-
Jazz festival income	828 391	1 646 186
Insurance claim received	70 809	58 361
Donation received	148 425	208 578
Sundry income	359 816	299 389
	<u><b>1 410 161</b></u>	<u><b>2 212 514</b></u>

**16. Interest received**

**Interest revenue**

Unlisted financial assets	6 295 502	6 557 630
Bank	3 124 726	3 904 526
Interest charged on trade and other receivables	<u>-</u>	<u>4 809</u>
	<u><b>9 420 228</b></u>	<u><b>10 466 965</b></u>

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>17. Employee related costs</b>		
Employee related costs - Salaries and Wages	36 928 489	32 254 799
Performance Bonus	716 797	837 522
Employee related cost - Contributions of UIF, pension and medical aids	8 868 414	7 959 368
Leave pay provision charge	3 356 461	2 122 744
Overtime payments	1 188 358	1 247 457
Long-Service awards	1 513 000	970 000
Annual Bonus	2 772 986	2 666 700
Travel, motor car and allowances	8 273 495	7 219 256
Housing benefits and allowances	321 417	832 455
Termination benefits	1 977 000	797 000
	<u><b>65 916 417</b></u>	<u><b>56 907 301</b></u>

**Remuneration of Municipal Manager( Dr Mongake)**

Annual Remuneration	188 668	751 224
Car Allowance	55 000	220 000
Performance Bonuses	170 666	164220
Housing	27 000	108 000
Contributions to UIF, Medical and Pension Funds	39 905	146 114
	<u><b>481 239</b></u>	<u><b>1 392 558</b></u>

The Municipal Manager Dr Mongake only served the municipality up to 30 September 2012.

**Remuneration of Municipal manager Ms Molibeli**

Annual Remuneration	838 560	-
Car Allowance	318 750	-
Contributions to UIF, Medical and Pension Funds	130 421	-
	<u><b>1 287 731</b></u>	<u><b>-</b></u>

The new Municipal Manager Ms Molibeli assumed her duties with the municipality with effect from 01 October 2012.

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>17. Employee related costs (continued)</b>		
<b>Remuneration of Director: Chief Finance Officer</b>		
Annual Remuneration	825 952	271 694
Car Allowance	275 317	90 565
Performance Bonuses	-	147 798
Contributions to UIF, Medical and Pension Funds	4 586	6 363
	<u><b>1 105 855</b></u>	<u><b>516 420</b></u>

The CFO remuneration covers only the 10 months period during the financial year.

<b>Acting Chief Financial Officer</b>		
Car Allowance	44 054	41 057
Acting Allowance	191 423	150 366
	<u><b>235 477</b></u>	<u><b>191 423</b></u>

Mr J Reyneke was appointed as the Acting Chief Financial Officer effectively from 01 November 2011 until 31 August 2012.

<b>Remuneration of Director: LED</b>		
Annual Remuneration	695 274	692 674
Car Allowance	120 000	120 000
Performance Bonuses	136 533	131 376
Contributions to UIF, Medical and Pension Funds	50 957	172 226
	<u><b>1 002 764</b></u>	<u><b>1 116 276</b></u>

<b>Remuneration of Director: PMU</b>		
Annual Remuneration	322 463	770 716
Car Allowance	83 884	201 322
Performance Bonuses	136 533	131 376
Contributions to UIF, Medical and Pension Funds	821	12 372
	<u><b>543 701</b></u>	<u><b>1 115 786</b></u>

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>17. Employee related costs (continued)</b>		
<b>Remuneration of Director: Corporate Services</b>		
Annual Remuneration	621 219	595 394
Car Allowance	220 995	243 041
Performance Bonuses	136 533	131 376
Contributions to UIF, Medical and Pension Funds	36 243	144 738
	<u><b>1 014 990</b></u>	<u><b>1 114 549</b></u>
<b>Remuneration of Director: Health and Safety</b>		
Annual Remuneration	622 416	600 073
Car Allowance	220 995	243 041
Performance Bonuses	136 533	131 376
Contributions to UIF, Medical and Pension Funds	37 944	140 501
	<u><b>1 017 888</b></u>	<u><b>1 114 991</b></u>
<b>18. Remuneration of councillors</b>		
<b>MMC – SOCIAL DEVELOPMENT: Cllr GN Guza (01/07/2012 – 30/06/2013)</b>		
Basic Salary	312 832	295 739
Car Allowance	125 679	119 127
Cellphone Allowance	19 872	18 840
Social Contributions	64 205	62 514
	<u><b>522 588</b></u>	<u><b>496 220</b></u>
<b>MMC – EHS &amp; PUBLIC SAFETY: Cllr Ndai (01/07/2011 – 31/10/2011)</b>		
Basic Salary		58 673
Car Allowance	-	24 412
Cellphone Allowance	-	2 364
Social Contributions	-	15 060
	<u><b>-</b></u>	<u><b>100 509</b></u>

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>18. Remuneration of councillors</b>		
Executive Mayor	709 249	677 569
Mayoral Committee Members	2 031 953	1 985 438
Speaker	547 565	527 987
Councillors	<u>2 676 145</u>	<u>2 223 806</u>
	<b><u>5 964 912</u></b>	<b><u>5 414 800</u></b>
<b>Executive Mayor – Cllr MP Moshodi</b>		
Basic Salary	422 118	402 459
Car Allowance	167 571	158 836
Cellphone Allowance	38 963	37 752
Social Contributions	<u>80 598</u>	<u>78 522</u>
	<b><u>709 250</u></b>	<b><u>677 569</u></b>
<b>Speaker – Cllr SI Mbalo (01/07/2012 – 17/05/2013)</b>		
Basic Salary	293 960	316 457
Car Allowance	117 744	127 068
Cellphone Allowance	18 411	18 840
Social Contributions	<u>59 271</u>	<u>65 622</u>
	<b><u>489 386</u></b>	<b><u>527 987</u></b>
<b>Speaker – Cllr KGL Nketu (01/06/2013 – 30/06/2013)</b>		
Basic Salary	27 891	-
Car Allowance	11 171	-
Cellphone Allowance	1 656	-
Social Contributions	<u>5 624</u>	<u>-</u>
	<b><u>46 342</u></b>	<b><u>-</u></b>
<b>MPAC Chair Person: Cllr LS Kubeka (06/10/2012 – 30/06/2013)</b>		
Basic Salary	152 488	-
Car Allowance	50 829	-
Cellphone Allowance	5 293	-
Social Contributions	<u>-</u>	<u>-</u>
	<b><u>208 610</u></b>	<b><u>-</u></b>

FEZILE DABI DISTRICT MUNICIPALITY  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>18. Remuneration of councillors (continued)</b>		
<b>MMC – TECHNICAL SERVICES: Cllr K Khumalo (01/07/2012 – 17/05/2013)</b>		
Basic Salary	186 528	205 143
Car Allowance	77 263	73 235
Cellphone Allowance	7 476	6 924
Social Contributions	45 259	15 434
	<u><b>316 527</b></u>	<u><b>200 226</b></u>
<b>MMC – LED &amp; TOURISM: Cllr ML Hlapane (01/07/2012 – 30/06/2013)</b>		
Basic Salary	186 528	181 780
Car Allowance	77 263	73 235
Cellphone Allowance	7 476	6 924
Social Contributions	45 259	31 371
	<u><b>316 526</b></u>	<u><b>293 310</b></u>
<b>MMC – FINANCE: Cllr ME Notsi (01/07/2012 – 30/06/2013)</b>		
Basic Salary	196 715	186 459
Car Allowance	75 407	71 476
Cellphone Allowance	7 476	6 924
Social Contributions	29 507	28 842
	<u><b>309 105</b></u>	<u><b>293 701</b></u>
<b>MMC – CORPORATE SERVICES: Cllr AM Olifant (01/07/2012 – 30/06/2013)</b>		
Basic Salary	186 528	179 289
Car Allowance	77 263	73 235
Cellphone Allowance	7 476	6 924
Social Contributions	45 259	41 288
	<u><b>316 526</b></u>	<u><b>300 736</b></u>



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>18. Remuneration of councillors (continued)</b>		
<b>Part Time Councillors</b>		
<b>Cllrs: ME Mokoena, ML Pietersen, SJMT Mahlakazela, DP van der Westhuizen, MC Spruit, SH Pittaway, MS Taje, DLS George, KJ Makhoba, D de Hart</b>		
Basic Salary	1 468 650	1 446 636
Car Allowance	502 715	476 508
Cellphone Allowance	123 960	165 512
Social Contributions	34 698	-
	<u><b>2 129 903</b></u>	<u><b>2 088 656</b></u>
 Sitting Allowance for Seconded Councillors of Local Municipalities	 <u>172 178</u>	 <u>135 150</u>
 <b>In-kind benefits</b>		
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties.		
The Executive Mayor has two full-time bodyguards.		
 <b>19. Administrative expenditure</b>		
Administrative expense	<u>799 788</u>	<u>691 835</u>
 <b>20. Depreciation and amortisation</b>		
Property, plant and equipment	3 637 743	3 693 834
Intangible assets	<u>177 197</u>	<u>158 248</u>
	<u><b>3 814 940</b></u>	<u><b>3 852 082</b></u>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>21. Bad debt written off</b>		
<b>Impairments</b>		
<b>Bad debts written off</b>		
<b>Bad debts written-off comprises of the following debtors</b>		
Office of the premier	-	45 000
DBSA	-	260 000
Provincial COGTA	-	419 431
	<u>-</u>	<u>724 431</u>
<b>22. Finance costs</b>		
Interest on long term liabilities	<u>2 922 635</u>	<u>3 488 495</u>
<b>23. Contracted services</b>		
Various Contractors	<u>11 540 410</u>	<u>15 043 831</u>
These payments are contracts which have been entered into during the current and prior financial year.		
Jazz Festival	5 470 017	4 892 106
IDP Implementation Monitoring	1 128 263	646 229
Municipal systems improvement programme	1 000 000	750 000
Cleaning Services	237 305	457 583
Performance Management System	-	492 296
Renovations – Mafube Fire Station	1 537 985	3 724 345
Security Services – Building	131 332	513 314
Sports Development Programme	819 322	781 996
Upgrading of Municipal Resorts	8 550	508 921
Establishment of District Centre	860 921	1 250 926
Other	346 915	1 026 115
	<u>11 540 610</u>	<u>15 043 831</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012
	R	R
<b>24. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Mafube Local Municipality	(26 818)	3 199 209
Metsimaholo Municipality	1 474 920	793 494
Ngwathe Local Municipality	2 109 499	3 793 010
Moqhaka Local Municipality	9 152 251	6 123
District Rural Areas	1 074 951	680 744
	<b>13 784 803</b>	<b>8 472 580</b>

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>25. General expenses</b>		
Accounting fees	-	78 947
Advertising	231 576	231 772
Auditors remuneration	2 085 047	1 796 318
Bank charges	74 232	77 542
Cleaning	235 638	82 778
Consulting and professional fees	105 450	1 358 112
Consumables	423 937	295 038
Donations	769 919	782 081
Entertainment	679 493	1 032 150
Rental Equipment	2 693 442	3 479 263
Insurance	250 496	225 600
Community development and training	2 321 608	3 170 778
Conferences and seminars	376 884	-
IT expenses	1 059 741	1 183 388
Fleet	72 609	65 295
Marketing	1 371 410	1 665 123
Magazines, books and periodicals	36 407	76 162
Medical expenses	-	7 800
Assistance to Local Municipalities	1 198 100	3 351 288
Fuel and oil	690 369	852 977
Postage and courier	21 917	10 206
Printing and stationery	561 237	420 771
Promotions	2 636 021	4 235 351
Protective clothing	227 040	195 987
Research and development costs	144 318	167 564
Royalties and license fees	9 463	8 138
Security (Guarding of municipal property)	21 400	92 966
Staff welfare	-	720 207
Subscriptions and membership fees	592 125	479 743
Telephone and fax	785 676	756 509
Training	1 090 992	877 191
Travel - local	3 510 977	3 103 910
Tourism development	758 357	219 268
Bursaries: External Students	902 075	953 645
Rental property	-	183 231
Other expenses	10 986 105	7 287 130
	<b>36 924 061</b>	<b>39 524 229</b>

**Donations**

All donations made by the municipality are in terms of the council's donation policy

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013	2012
	R	R
<b>26. Cash used in operations</b>		
Surplus	2 839 891	7 064 018
<b>Adjustments for:</b>		
Depreciation and amortisation	3 814 940	3 852 082
Loss on sale of assets	9 963	579 097
Impairment deficit	-	724 431
Debt Impairment	198 462	-
Movements in retirement benefits	1 977 000	797 000
Movements in provisions	1 513 000	970 000
Other non-cash items	(87 754)	2 757 336
<b>Changes in working capital:</b>		
Trade and other receivables	(7 529 791)	72 839
Consumer debtors	(198 462)	-
Trade and other payables	194 534	(2 166 635)
VAT	2 102 520	(915 515)
Unspent conditional grants and receipts	(28 147 034)	(21 154 036)
	<b><u>(23 312 731)</u></b>	<b><u>(7 419 383)</u></b>

**27. Retirement Benefit Information**

Councillors and employees belong to two defined benefit retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These Funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed June 2005. The Free State Municipal Pension Fund, net assets that are available for benefits at 30 June 2005 was R 1 530 775 000. The actuarial valuation determined that the fund was in a sound financial position. The estimated liability of the funds is R1 308 118 000 which is adequately financed. No new information was available at balance sheet date.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012
	R	R

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No new information was available at balance sheet date.

28. Prior period errors

The following errors occurred, in relation to the prior financial year, which necessitated corrective action in the current year. The errors were corrected retrospectively in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors:

Intangible Assets:

During the 2012-13 financial year, the entity revised the useful lives of its movables assets, which resulted in a prior period error. Refer to table below for the effects of the prior period error.

Property, plant and equipment:

The entity revised the useful lives of its assets during the financial year. The revision resulted in period error which was corrected retrospectively. Refer to table below for the effects of the prior period error.

Value Added Tax:

During the 2012-13 financial year, South African Revenue Service disallowed VAT input which was previously claimed by the municipality. The respective amount was paid to SARS during the 2012-13 financial year.

General Expenses:

The South African Revenue Services disallowed VAT input on certain entertainment expenses, which resulted in an increase in general expense in the prior period.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>28. Prior period errors (continued)</b>		
<b>Trade Payable</b>		
<i>Creditors control account:</i>		
During the 2012-13 financial year, it came to the Auditor-General's attention during the audit that there were a number of goods received notes which were accrued on the creditors system. These GRNs related to the previous financial years. These GRNs were subsequently corrected by the municipality. The effects of the correction are as indicated below.		
 <i>Retentions of projects:</i>		
During the 2012-13 financial year, the municipality reversed retentions on completed projects which were previously paid out, while the respective accounts were duly updated.		
<b>Disclosure note:</b>		
<b>Commitments:</b>		
The commitments for the 2012-13 financial year were restated accordingly.		
The correction was made in the previous year against Accumulated Surplus.		
The effect on the financial statements is as follows:		
<b>Opening accumulated surplus or deficit (01 July 2011)</b>		
<b>Decrease in Trade payables</b>	-	713 341
<b>Increase in VAT payables</b>	-	(59 287)
<b>Accumulated Surplus or Deficit</b>	-	(654 054)
	-	-
 <b>Statement of financial position</b>		
Increase in VAT payable	-	(165 540)
Decrease in Trade payables	-	2 628 887
Property, plant and equipment	-	3 010 776
Intangible Assets	-	398502
Property, plant and equipment	-	1 914 403
Accumulated Surplus of Deficit	-	(6 177 032)
	-	<b>(304 407)</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2013 R	2012 R
<b>Statement of Financial Performance</b>		
Amortisation	-	23 730
Depreciation	-	193 997
General expense	-	86 680
	<u>-</u>	<u>304 407</u>
<b>Contractual commitments</b>		
<b>Already contracted for but not provided for</b>		
Property, Plant and Equipment	<u>-</u>	<u>15 443 746</u>
<b>29. Going concern</b>		
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.		
<b>30. Unauthorised expenditure</b>		
Balance at the beginning of the year	272 771	-
Unauthorised expenditure – current year	-	272 771
Approved/condoned by council	<u>(272 771)</u>	<u>-</u>
	<u>-</u>	<u>272 771</u>
<b>31. Fruitless and wasteful expenditure</b>		
Opening balance	5 290	-
Fruitless and wasteful expenditure -current year	12 140	5 290
Approved/written-off by council	(5 290)	-
Transfer to receivables for recovery	<u>(9 686)</u>	<u>-</u>
	<u>2 454</u>	<u>5 290</u>
<b>32. Irregular expenditure</b>		
Opening balance	482 789	46 300
Add: Irregular Expenditure - current year	1 093 619	4 253 383
Less: Amounts approved/written-off by council	<u>(1 264 641)</u>	<u>(3 816 894)</u>
	<u>311 767</u>	<u>482 789</u>



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

<b>32. Irregular expenditure (continued)</b>	2013	2012
	R	R
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	1 093 619	436 489
Prior years	<u>482 789</u>	<u>46 300</u>
	<b><u>1 576 408</u></b>	<b><u>482 789</u></b>

**Details of irregular expenditure – current year**

	Disciplinary steps taken/criminal proceedings	
SCM procedures not followed: Order class-Urgent	None	26 761
SCM procedures not followed: Order class-Sole Supplier	None	14 575
SCM procedures not followed: Order class-Specialised Services	None	117 750
SCM procedures not followed: Order class-Other	None	<u>323 703</u>
		<b><u>482 789</u></b>

<b>Details of irregular expenditure condoned</b>	Condoned by (condoning authority)	
Supply Chain Policy procedures not followed.	Municipality Council	<u>46 300</u>

**33. In-kind donations and assistance**

No in-kind donations or assistance were received during the year.

**34. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government**

Current year subscription	569 697	454 986
Amount paid - current year	<u>(569 697)</u>	<u>(454 986)</u>
	-	-

**Audit fees**

Current year fee	2 085 047	1 796 318
Amount paid - current year	<u>(2 085 047)</u>	<u>(1 796 318)</u>
	-	-

**PAYE and UIF**

Current year payroll deduction	13 252 006	11 638 051
Amount paid - current year	<u>(13 252 006)</u>	<u>(11 638 051)</u>
	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012
34. Additional disclosure in terms of Municipal Finance Management Act (continued)	R	R
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deduction	13 697 409	9 925 513
Amount paid – current year	<u>(13 697 409)</u>	<u>(9 925 513)</u>
	<u>-</u>	<u>-</u>

**35. Actual operating expenditure versus budgeted operating expenditure**  
Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure

**36. Actual capital expenditure versus budgeted capital expenditure**  
Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

**37. Related parties**

There were no related party transactions identified during the financial year under review.

**38. Risk Management**

**Financial risk management**

The District municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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.

The financial liabilities of the District Municipality are backed by appropriate assets and it has adequate liquid resources. The District Municipality monitors the cash projections by ensuring that borrowing facilities are available to meet its cash requirements.

No significant financial risk pertaining to the creditors exists except for mainly operational risks that are not covered in here.

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	2013	2012
38. Risk Management (continued)	R	R

Interest rate risk

The District Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.

The risk is managed on an on-going basis.

Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the District Municipality to incur financial loss.

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

Foreign exchange risk

The District Municipality does not engage in foreign currency transactions.

39. Event after the reporting date

No events took place after the reporting date which has an impact on the Annual Financial Statements.

40. 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 state that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and report them to the next meeting of the council and includes a note to the consolidated annual financial statements.

Deviations from supply chain management regulations did occur. These deviations were submitted and approved by council. A detailed deviation register is available at the municipality for inspection.

Deviations Categories

Emergency	638 264	-
Sole Supplier	935 543	-
Others	3 091 377	-
	<u>4 665 184</u>	<u>-</u>

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<b>41. Financial instruments disclosure (continued)</b>			
		2013	2012
		R	R
<b>2012</b>			
	At fair value	At amortised cost	Total
Trade and other receivables	-	293 584	293 584
VAT Receivable	-	4 058 561	4 058 561
Cash and Cash Equivalents	122 519 258	68 305 534	190 824 792
	<b>122 519 258</b>	<b>72 657 679</b>	<b>195 176 937</b>

**Financial Liabilities**

	At amortised cost	Total
Annuity Loans	25 720 038	25 720 038
Trade and other payables	17 309 626	17 309 626
Operating lease liability	209 355	209 355
	<b>43 239 019</b>	<b>43 239 019</b>

**42. Operating lease**

The municipality rents photocopying machines from Nashua Vaal, being the major supplier:

- no contingent rent is payable in term of the lease agreements
- there is no renewal or purchase options as per lease agreement terms, the lease escalates as determined in the various lease agreements with the renter; and
- no restrictions are imposed by the lease agreements, with regards to additional debt and further leasing.

The lease agreements is for a total period of 36 months ( 5 years)

**43. Commitments**

**Authorised capital expenditure**

Already contracted but not provided for

- Property, plant and equipment 15 764 800

**Operating leases – as lessee (expense)**

**Minimum lease payments due**

- within one year 1 262 500
- in second to fifth year inclusive 2 366 430
- 3 628 930**

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	2013 R	2012 R
<b>45. Contingencies</b>		
The municipality had the following contingent liabilities as at year-end:		
The certainty and timing of the outflow of these liabilities are uncertain. The amount disclosed below are possible outflow;		
Maseko Tilana - Civil not finalised Ref (MMW/1/M/5M0728/11)	-	16 630
<b>FDDM/SAMWU obo Setseli – Labour case</b>	80 000	-
<b>FDDM/SAMWU obo Gorati – Labour case</b>	45 000	-
	<u>125 000</u>	<u>16 630</u>
- Setseli: Dismissal due to misconduct in refusing to take lawful orders		
- Gorati: Dismissal due to misconduct, the applicant is contesting dismissal.		

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

45. Changes in estimates

Property, plant and equipment  
The useful lives and residual values of assets were revised during the year under review. Management have revised original estimate, which has resulted in an increase in depreciation expense for the period. The change was done in accordance with GRAP 3.

The revision of the residual values resulted in the following effects:

- Buildings R 1 326 966 (Residual value).
- Motor Vehicles R 807 143 (Residual value).

The old depreciation expense was R 3 499 and the new depreciation expense will be R 3 637 743. The future impact of the change in estimate will amount to future depreciation expense of R 137 907 per annum.

Intangible Assets

The useful lives of intangible assets which were fully depreciated were revised during the year under review. Management have revised original estimate, which has resulted in an increase in amortisation expense.

The old amortisation expense was R 134 516 and the new amortisation expense will be R 177 198. The future impact of the change in estimate will amount to future amortisation expense of R 23 733 per annum.