



MAKHADO LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT

2018/2019

"A dynamic-hub for socio-economic development by 2050"



VISION

"A dynamic-hub for socio-economic development by 2050"

MISSION

"To ensure effective utilization of economic address socio-economic imperatives, through mining, agriculture and tourism"

CONTENTS	PAGE NUMBER:
GLOSSARY	10
CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY	13
COMPONENT A: MAYOR’S FOREWORD	13
1.1 MAYOR’S FOREWORD	13
COMPONENT B: EXECUTIVE SUMMARY	16
1.2 MUNICIPAL MANAGER’S FOREWORD	16
COMPONENT C: MUNICIPAL OVERVIEW	19
1.3. MUNICIPAL OVERVIEW	19
Figure 2: Location Of Makhado Municipality	19
Table 2 : Services Backlog	20
Table 3 : Free Basic Services	20
COMPONENT A: GOVERNANCE STRUCTURES	22
2.POLITICAL GOVERNANCE STRUCTURE.....	22
2.1. STATUS OF MUNICIPALITIES:	22
Figure 3 : Political Structures.....	22
2.2.Governance Activities	22
2.3. Council and Committees.....	23
Table 4 : Representation In Council – Political Parties	23
2.3.1. COUNCIL	24
Table 5 : Names Of Councilors.....	24
2.3.2.Council Meetings	26
Table 7 : Senior Traditional Leaders In Council:	26
2.4 EXECUTIVE COMMITTEE.....	26
Figure 4 Executive Committee Members:	27
Table 8: Executive Committee.....	27
Table 9: Executive Committee Meetings Held	28

2.4.1. SECTION 79 OVERSIGHT COMMITTEES	28
Table 10: Section 79 Oversight Committee.....	28
Table 11: Oversight Committee Meetings Held	29
2.4.2. SECTION 79 STANDING COMMITTEES.....	30
Table 12: Section 79 Standing Committees	30
Table 13: Section 79 Standing Committee Meetings held.....	31
2.4.3. SECTION 80 COMMITTEES.....	32
Table 14: Section 80 Committees	32
2.5. ADMINISTRATIVE GOVERNANCE STRUCTURE	32
Figure 5: Senior Management Structure	32
COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	33
2.6. INTERGOVERNMENTAL RELATIONS:	33
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	33
Table 15. Imbizo's Held	33
2.7. COMMUNICATION, PUBLIC PARTICIPATION AND FORUMS	34
2.8. MUNICIPAL PUBLIC ACCOUNT COMMITTEE (MPAC)	34
COMPONENT D: CORPORATE GOVERNANCE	34
2.9. GENERAL COMMUNICATION.....	34
2.10. INTEGRATED DEVELOPMENT PLANNING STEERING COMMITTEE.....	35
2.11. AUDIT AND PERFORMANCE AUDIT COMMITTEE (APAC):	35
2.11.1. Legal framework governing the Audit Committee	35
2.11.2. GOVERNANCE OF THE COMMITTEE	36
Table 16. Meetings Attended By Audit Committee Members.....	36
2.11.4. INTERNAL AUDIT.....	37
2.11.6. MATTERS OF CONCERN	37
2.11.7. PERFORMANCE MANAGEMENT	37

2.11.8. COMPLIANCE WITH MFMA, THE ANNUAL DIVISION OF REVENUE ACT AND ANY OTHER APPLICABLE LEGISLATION	38
2.11.9. REVIEW AND EVALUATION OF QUARTERLY AND ANNUAL FINANCIAL STATEMENTS.....	38
2.11.10. AUDIT OPINION.....	38
2.11.11. INTERACTION WITH THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)....	39
2.12. RISK MANAGEMENT	39
2.12.1. TOP TEN STRATEGIC RISKS ARE AS FOLLOWS:	39
2.12.3. FRAUD AND CORRUPTION MANAGEMENT	40
2.14. INTERNAL AUDIT DIVISION.....	41
2.14.3. OPCA EXTERNAL AUDIT FOLLOW-UP	45
2.14.4. OPCA - Internal Audit	47
2.14.5. Evaluation of Internal Audit	49
2.14.6. INTERNAL AUDIT HIGHLIGHTS AND SUCCESSES FOR 2018/19	50
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE	52
3.OVERVIEW OF SERVICE DELIVERY	52
Table: 17 Backlogs	52
3.1.OVERVIEW OF CAPITAL PROJECTS IMPLEMENTED	52
3.1.1. ROAD INFRASTRUCTURE	52
3.1.2. ELECTRICITY CONNECTIONS	53
3.1.3. ROADS UPGRADING AND REHABILITATION	54
Table 18: Roads Completed.....	54
3.2. BASIC SERVICES	54
3.2.1 PROVISION OF ELECTRICITY SERVICES.....	54
Table 19 Electricity Connections	55
3.2.2. Faults Reported And Attended.....	56
Table 20: Electricity Faults	56
Table 21: Call Centre Statistics – Electricity.....	56

Table 22: Electricity Losses.....	56
3.2.4. PROVISION OF REFUSE REMOVAL SERVICES (WASTE MANAGEMENT).....	57
Table 23: Increase Of Cleaning Programs	57
Table 24: Solid Waste Service Delivery Levels:	58
3.2.5. COMMUNITY & SOCIAL SERVICES.....	58
3.2.6. MUNICIPAL PUBLIC LIBRARIES	59
Table 25: Public Library – Books Issued And Members.....	59
3.2.7. MUNICIPAL PARKS AND CEMETERIES.....	59
3.2.8. MUNICIPAL CREMATORIA AND HERITAGE.....	59
3.2.9. DISASTER MANAGEMENT SERVICES	59
Table 26: Disaster Incidents	60
3.2.10. Environmental Health.....	60
Table 27: Environmental Health Activities	60
3.2.11. PROTECTION SERVICES	60
3.2.12. TRANSPORT: VEHICLE LICENSING & TRAFFIC SERVICES	60
3.2.13. SPECIAL PROGRAMMES.....	61
Table 29: Child Care; Aged Care; Social Programmes	61
3.2.14. HOUSING FOR THE POOR.....	62
Table 30 Housing Projects.....	62
3.3. DELIVERY OF FREE BASIC SERVICES.....	62
Table 31: Support: Low Income Households.....	63
3.4. OTHER MUNICIPAL SERVICES.....	63
3.4.1. ROADS AND STORM WATER DRAINAGE	63
Table 32: Gravel Road Infrastructure	63
3.4.2 ROAD MAINTENANCE PROGRAMME	65
Table 33: Capital Expenditure 2018/19: Road Services	65
3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE.....	66

3.6. DEPARTMENT OF DEVELOPMENT PLANNING	66
Table 34. Building And Zoning Plans (2018/19).....	68
Table 35: Led Projects.....	69
Table 36: EPWP Jobs Created.....	69
4 SDBIP PERFORMANCE	69
4.3.1.ANALYSIS OF MUNICIPAL SDBIP PERFORMANCE	70
Table 51: Municipal SDBIP Performance	70
CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE.....	74
COMPONENT A: MUNICIPAL WORKFORCE	74
Table 37. Employee Numbers And Vacancies	74
Table 38. Turnover Rate	75
COMPONENT B: MANAGING MUNICIPAL WORKFORCE	75
Table 39. Human Resources Policies	75
4.HEALTH AND SAFETY MATTERS.....	76
4.1.OCCUPATIONAL INJURY.....	76
Table 40 : All The Injuries Recorded On A Year Under Review:	77
4.2.ABSENCE DUE TO ILL HEALTH	78
4.2.1.Sick Leave	78
Table 41. Sick Leave Statistics.....	78
SUSPENSIONS	79
Table 42. Suspensions	79
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE.....	79
4.3.SKILLS DEVELOPMENT AND TRAINING	79
4.3.1.TRAINING.....	80
Table 43 :Training Provided For 50 Councilors:.....	80
Table 44 : Training Provided For 200 Learners:	80
Table 45 : Training Provided For 102 Skill Program:	80

4.2.2.BURSARIES AND INTERNSHIP	81
Table 47 : Bursaries For Full Time Study Per Population Group And Gender	82
Table 48 : Interns By Population Group And Gender	82
Table 49. Capacity Building – Work Force	83
COMPONENT D: MANAGING MUNICIPAL WORKFORCE EXPENDITURE:	83
CHAPTER 5: FINANCIAL PERFORMANCE	85
5.1.1. Introduction to financial performance.....	85
COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE.....	87
5.2.FINANCIAL SUMMARY OF THE MUNICIPALITY AS AUDITED.....	87
Table 52: Financial Summary	87
5.2.1.FINANCIAL PERFORMANCE (REVENUE & EXPENDITURE BY MUNICIPAL VOTE).....	88
Table 53. Financial Performance.....	88
Table 54: Capital Grants Received And Spent.....	89
5.2.4.MUNICIPALITY APPROVED POLICIES	89
Table 55: Budget Related Policies	89
5.2.5.THE ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES .	90
5.2.6.ASSETS MANAGEMENT	91
Table 56. Three Largest Assets.....	92
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	95
Table 57. Capital Expenditure Of 5 Largest Projects	95
Table 58. Capital Expenditure.....	96
COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS.....	97
5.4.CASH MANAGEMENT	97
Table 59: Borrowings	97
5.4.4.CASH AND CASH EQUIVALENTS.....	98
Table 60: Statement Of Cash Flow.....	98
5.4.5.COMMENT ON CASH FLOW	99

COMPONENT D: OTHER FINANCIAL MATTERS	99
5.5.SUPPLY CHAIN AND EXPENDITURE MANAGEMENT	99
5.5.1.PROCUREMENT STATISTICS	99
5.5.2.SUMMARY OF PROCUREMENT STATISTICS FOR THE YEAR 2018-2019	100
5.5.3.EXPENDITURE	100
5.5.4.GRAP COMPLIANCE	100
5.5.5.MSCOA IMPLEMENTATION	100
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS	103
6.1. AUDITOR-GENERAL REPORTS PREVIOUS YEAR	103
Table 61. AG Report 2017/2018	103
6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR.....	105
Table 62. AG Opinion 2018/2019	105
Table 63. Ag Findings 2018/2019.....	105

GLOSSARY

ACDP	-	African Christian Democratic Party
ADMD	-	After Diversity Maximum Demand
AFS	-	Annual Financial Statements
AG	-	Auditor General
AGSA	-	Auditor General South Africa
ANC	-	African National Congress
APAC	-	Audit and Performance Assessment Committee
B&T	-	Budget and Treasury
CFO	-	Chief Financial Officer
CIPRO	-	Companies and Intellectual Property Registration Office
COGTA	-	Cooperative Governance and Traditional Affairs
COGHSTA	-	Department of Cooperative Governance, Human Settlement and Traditional Affairs
COPE	-	Congress of the People
CPMD	-	Consolidated Program for Management Development
DA	-	Democratic Alliance
DCOMS	-	Department Community Services
DCSS	-	Department Corporate Services
DDP	-	Department Development Planning
DTS	-	Department Technical Services
EAP	-	Employee Assistance Program
EEP	-	Employment Equity Plan
ERM	-	Enterprise Risk Management
EXCO	-	Executive Committee
FBE	-	Free Basic Electricity
FBS	-	Free Basic Services
FBW	-	Free Basic Water
GRAP	-	General Recognized Accounting Practice
HH	-	Households
ICT	-	Information and Communication Technology
IDP	-	Integrated Development Plan
IIA (SA)	-	Institute of Internal Auditors (SA)
INEP	-	Integrated National Electrification Program
IT	-	Information Technology
KPA	-	Key Performance Area
KPI	-	Key Performance Indicator
LED	-	Local Economic Development
LGSETA	-	Local Government Sector Education & Training Agency
MFMA	-	Municipal Finance Management Act
MLM	-	Makhado Local Municipality
MM	-	Municipal Manager
MPAC	-	Municipal Public Accounts Committee
MSA	-	Municipal Structures Act No.17 of 1998
MSA	-	Municipal Systems Act No.32 of 2000
NERSA	-	National Electricity Regulator South Africa
OHS	-	Occupational Health and Safety
OPCA	-	Operation Clean Audit

PAC	-	Pan Africanist Congress of Azania
PMS	-	Performance Management System
RD	-	Refer to Drawer
RDP	-	Reconstruction and Development Program
SCM	-	Supply Chain Management
SDBIP	-	Service Delivery and Budget Implementation Plan
SDP	-	Skills Development Plan
SITA	-	State Information Technology Agency
SLA	-	Service Level Agreement
SMME	-	Small, Medium and Micro Enterprise
VDM	-	Vhembe District Municipality
WSA	-	Water Services Authority
WSP	-	Water Services Provider
WPSP	-	Work Place Skills Plan

Chapter 1

Mayor's Foreword and Executive Summary

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

1.1 MAYOR’S FOREWORD



His Worship Mayor
Cllr Munyai N

Let me take this opportunity to present the 2018/2019 Annual Performance Report to all members of the community of Makhado Municipality, our partners, district, provincial and national government of the Republic of South Africa.

The report reflects on our shared commitment and accountability as political leadership, management and staff to accelerate the provision of quality and sustainable services to all residents of Makhado Municipality.

Most importantly the report will outline the performance successes and challenges we have experienced in the delivery of services to all our people as guided by the 2018/2019 Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plans (SDBIP) for the year under review.

Our participation in the Makhado/Musina Special Economic Zone is yielding results and this will result in more than **3000 people** acquiring jobs and skills development between the 2 municipalities. Consultation with community and institutional stakeholders is continuing in order to maximise involvement of our communities in the development and implementation of the SEZ.

Our vision of becoming a hub for socio- economic development by 2025, can only be realised if we practically and sustainable develop or local industries, especially mining, tourism and agriculture. We shall continue to invite local and international investors to prefer Makhado Municipality as an investment destination of choice in the far north region of our Limpopo Province.

During 2018/2019 financial we have ensured that we host quarterly public participation meetings in our Regions so that we continue listening to our people on issues of services delivery. We convened service delivery report back meetings so that we update communities on the commitments made.

We have procured more yellow machines “graders” and various council vehicles, which are essential tools of service delivery.

Our programme of grading streets in villages and townships, hailed as “Duba Buse” program has impacted positively on our communities, restoring their hope that Makhado Municipality will never be the same again.

Our Ward Committees are all functional and continue to become the backbone of service delivery planning, monitoring and implementation at Ward level.

The Executive Committee, Portfolio Committees and all Section 79 and 80 Committees are paying their oversight role to ensure that service delivery remains the core business of the municipality.

Our Municipal and Public Accounts Committee- (MPAC), Audit Committee, Planning Tribunals and other strategic instruments of governance remain fully charged with the responsibility that we account for public effective and efficient use of public resources.

During 2018/2019 financial our Municipality received and spent 100% of both the **Municipal Infra Structure Grant (MIG)** and **Integrated National Electricity Program (INEP)**, from National Treasury.

During the year under review, our Municipality achieved a qualified audit opinion. We thank the management for implementing the Audit Action Plan as advised by the Auditor General and we are working towards achieving a better audit finding in the 2020/2021 financial year.

We shall continue to put mechanisms in place for improved and sound financial accountability in the quest for quality services.

We have worked closely with the Vhembe District Municipality to resolve water supply challenges and we trust that the completion of the Nandoni Bulk Water Supply project, will sustainably address our bulk water supply challenge.

Our Municipality require a reliable bulk water and energy supply capacity in order to fast track residential and industrial growth, especially as a Special Economic Zone.

Maintenance of our strategic roads, storm-water and electricity infra-structure remains a fundamental necessity for our socio-economic growth, in both rural, townships and urban areas.

The Municipality continues to participate in District/Provincial and National Inter-Governmental activities to ensure integrated planning and sharing of best practises to enhance improved service delivery.

On behalf of the Executive Committee, and the entire political leadership of the municipality, I want to express sincere and revolutionary appreciation to all Councillors, staff members, particularly the Municipal Manager and his management team, traditional leaders, our service providers, media, labour unions, for continuing to serve the people of Makhado Municipality with humility and professionalism.

I also want to thank the Office of the Speaker, Chief Whip, for their support and leadership of our Municipality.

Our plan is achieve an unqualified audit opinion in the next financial year, to enhance service delivery and to increase access to quality services to all the people of Makhado Municipality.

Cllr Munyai N
Mayor: Makhado Municipality

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S FOREWORD



Mr N F Tshivhengwa
Municipal Manager

The year 2018/2019 was a challenging year for local government; given that municipality is the coal face of service delivery. During the year under review, the country witnessed the National and provincial general elections, which culminated in the establishment of the 6th administration.

Spearheaded by the President of the Republic of South Africa, "Thuma-Mina" initiative has created a demand for government to put people first in discharging of its responsibilities. During the year under review, through Thuma-Mina campaign, most streets were maintained or patched, through a partnership with the community or residence. In our municipality, our Honorable Mayor and Councillors, including ward committees, led from the front. Through "Thuma-Mina" campaign the following areas were amongst those that were visited during 2018/19 financial year: Ha-Mavhunga, Tshakhuma, Dzanani(Biaba), Waterval, Tshikhwani, Musekwa, Riverplaats, Ha-Manavhela, Mphephu Secondary School and Eltivillas.

Municipal powers and functions for the year 2018/19 didn't change and the table below depicts powers and functions of Makhado Local Municipality.

Table : Powers and Functions

<ul style="list-style-type: none"> • Air pollution • Building regulations • Electricity and gas reticulation • Local tourism • Municipal airports • Municipal planning • Municipal health services • Municipal public transport • Municipal public works 	<ul style="list-style-type: none"> • Storm water management systems in built-up areas • Trading regulations • Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems (Water service level agreement with the District Municipality) • Billboards and the display of advertisements in public places • Cemeteries, funeral parlours and crematoria 	<ul style="list-style-type: none"> • Cleansing • Control of public nuisances • Control of undertakings that sell liquor to the public • Facilities for the accommodation, care and burial of animals • Fencing and fences • Licensing of dogs • Licensing and control of undertakings that sell food to the public • Local amenities 	<ul style="list-style-type: none"> • Local sport facilities • Markets • Municipal parks and recreation • Municipal roads • Noise pollution • Pounds • Public places • Refuse removal, refuse dumps and solid waste disposal • Street trading • Street lighting • Traffic and parking
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It's worth stating that during the year under review, the municipality managed to finalise the transfer of water staff to Vhembe District Municipality. As a result, the water function is fully-performed by the district as a Water Service Authority (WSA).

As of the 30 June 2019, the municipality managed to achieve 77% municipal performance, which is 9% improvement compared to 2017/18 financial year. With regards to expenditure on grants, by 30 June 2019, the municipality was able to spend 100% of all grants, which is a good improvement compared to the previous financial year.

The municipality was awarded "MIG" performance award, as a results of its 100% expenditure, which has been consistent for the past three years. During the year under review, municipality did regress on "The Greenest Municipality Competition", and could only muster second position which came with a R25 000.00 cash reward. The municipality surrendered its first position to Thulamela Local Municipality.

With regard to provision of basic services, municipality managed to provide a total of 1257 households with access to basic electricity during the year under review. In pursuit to improve municipal environment, municipality continued to provide access to refuse removal to a total of 17 285 households, whilst a total of 25 skip bins were bought with a view of expanding refuse removal services to rural areas. It is the view of the municipality, that basic services must be accessed by all citizens and an equal basis.

The municipality had a huge number of old fleet that had exhausted its life-span. In order to improve efficiency and productivity, a total of two new graders were bought during the year under review. This included a new low-bed truck, to be used to transport all heavy machines to desired service delivery points. Yellow fleet, were not the only tools that needed attention, hence a total of 21 cars were also bought in order to improve efficiency and productivity at the work place. In pursuit to reduce carbon emission, it remains municipality view that new vehicles do reduce municipal contribution towards harming the environment and also contribute towards the reduction of municipality operational expenses.

In the year under review, the municipality has seen an increase in the debt book, especially with residential debtors. This increase in debt could be attributed to the lack of economic activity in the municipality and the unwillingness to pay for services in the townships. As at the end of the financial year the debt book amounted to R 240 million. The debt has increased from R 204 million to 240 million. The increase in debtors during the financial year was R 36 million, representing an 18% increase from previous year. Whilst credit control initiatives are being implemented, it is worth reporting that more efforts are still needed if we are to improve municipal revenue.

As part of revenue enhancement strategy, the municipality has entered into payment arrangement with Vhembe District Municipality, for a total of R96 881 000 that is being owed to date, for water service function rendered.

Electricity remains the main revenue contributor, which amount to 35% of the total municipal budget, whilst property rates contribute 8% of the total budget. During the year under review, a total number of 71 students were awarded internships, whilst a total of 16 were awarded mayoral bursary.

The municipality managed to close the 2018/19 with a total of R90 million cash in the bank. This is a huge improvement when compared to just R20 million during the 2017/18 financial year. It is anticipated that by end of 2019/20, the municipality will close the financial year with a total of R94 857 000 surplus/cash in the bank.

Mr N F Tshivhengwa
Municipal Manager

COMPONENT C: MUNICIPAL OVERVIEW

1.3. MUNICIPAL OVERVIEW

The Makhado Municipality is one of the local municipalities, within the Vhembe District, Limpopo Province in the Republic of South Africa. The main town Louis Trichardt is strategically located on N1 and is an important bypass for people travelling to Southern African Developing Countries (SADC), and this provides the municipality with good and attractive economic opportunities. The municipality borders Molemole and Blouberg Local Municipality, which are part of the Capricorn District Municipality, Greater Giyani and Greater Letaba Municipalities, whilst from the South East, it shares the borders Mopani District Municipality. The municipal area covers a total of 8310,586 km² (or 831 058, 64 Hectares) and has a total population of 416 728 majority of which can be classified as predominately rural.

Figure 2: Location Of Makhado Municipality



The total population of Makhado has decreased from 516 031 to 416 728 (based on the 2011 Census outcome) due to the new demarcation of the municipal boundaries in 2016. The number of households also decreased from 134 889 households (Census 2011) to 116 371 with about 145 147 registered voters. The Municipality is made up of 4 formal towns namely, Louis Trichardt, Vleifontein, Waterval and Dzanani with more than 200 villages. The main administrative office is situated in Louis Trichardt town with two supporting regional administrative offices in Dzanani and Waterval and a satellite office in Vleifontein.

Table 2 : Services Backlog

Population	Households	Water	Sanitation	Waste management	Electricity	Housing
416 728	116 371	33 623 Households	35 210 Households	99086 Households	8 880 Households	16 207 RDP Housing

Source: Council's approved IDP 2018/2019

According to the approved 2018/19 IDP, the service backlogs of the municipality stands as follows: 33 623 households didn't have access to water, 35 210 households don't have access to sanitation, 99086 households don't have access to waste removals, whilst 8 880 households don't have access to electricity and 16 207 households were in need of RDP housing.

Table 3 : Free Basic Services

Indigent households	Receive free basic electricity	Receive free basic water	Debts owed to Municipality
18,666	18,592	101,132	R155,820,960

Source: Council's approved IDP 2018/2019

According to the approved 2018/19 IDP, a total of 18 666 indigent households within the municipality received free basic services. A total of 18 592 received free basic electricity, whilst 101 132 received free basic water. The total debt owed to the municipality stood at R 155 820 960.

Chapter 2

Governance

COMPONENT A: GOVERNANCE STRUCTURES

2.POLITICAL GOVERNANCE STRUCTURE

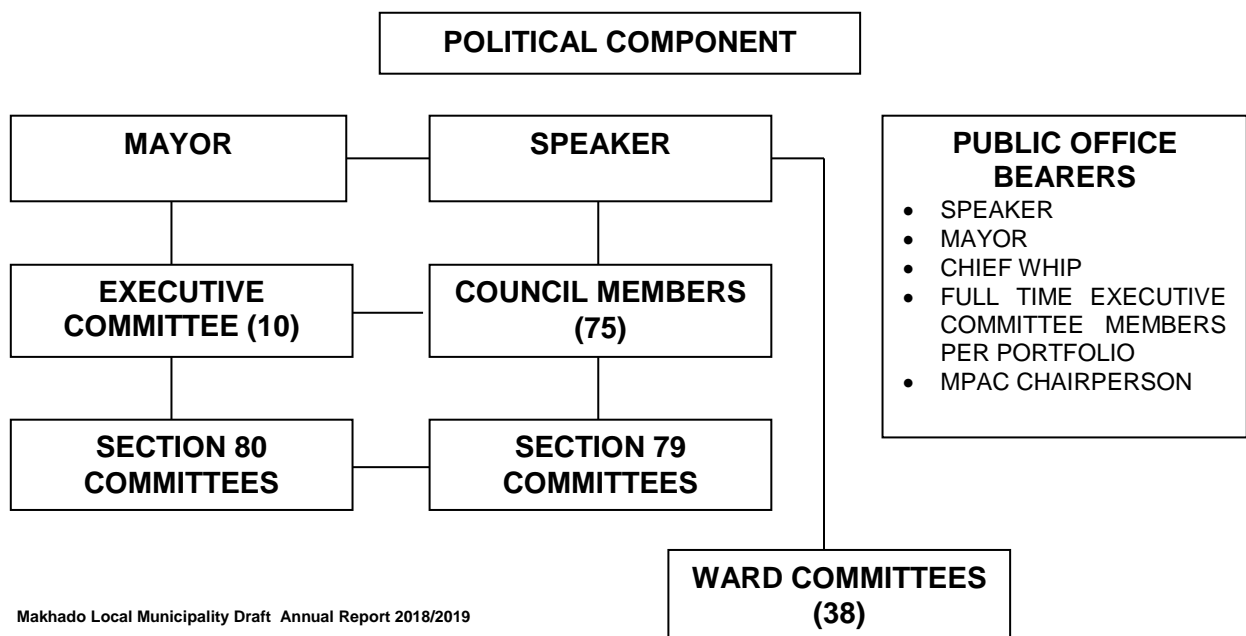
Chapter 7 of the Constitution of the Republic of South Africa, 1996 provides for the establishment of local government as an independent sphere of government. Section 151 of the Constitution states the following:

2.1. STATUS OF MUNICIPALITIES:

151. (1)The local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic.
 (2) The executive and legislative authority of a municipality is vested in its Municipal Council.
 (3) A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.
 (4) The national or a provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.

Section 52 (a) of the MFMA further entrusts the responsibility to the mayor, in that: The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

Figure 3 : Political Structures



2.2.GOVERNANCE ACTIVITIES

Makhado Local Municipality has an effective governance structures led by the Speaker of Council and Council committees. The structures includes, Council, Executive Committee, Section 79 Committees, Section 80 committees, Ward Committees, Audit Performance and Audit Committee, Risk Committee; Municipal Public Account Committee (MPAC), Municipal Planning Tribunal, Appeal Tribunal for Planning, ICT Steering Committee, IDP Steering Committee, Local Labour Forum, Central Occupational Health and Safety Committee, Investment Committee, Financial Disciplinary Board for Misconduct and Bids Committees. The municipality make use of these structures to improve service delivery to its communities, and to promote public accountability and institutional performance.

2.3. COUNCIL AND COMMITTEES

Makhado Municipality is a Category B municipality with 75 councilors (37 proportionally elected and 38 ward councilors) as promulgated under General Notice No 264 of 2009 by the MEC for Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA) and published in Provincial Gazette Extraordinary No 1656 on 31 July 2009 and rated Grade 4 in terms of the criteria determined by the National Department of Cooperative Governance and Traditional Affairs (COGTA).

In terms of the Seat Calculation Summary per Municipality received from the **Municipal Electoral Officer on 11 August 2016** the names of the elected parties and the number of the respective councilors elected are as follows:

Table 4 : Representation In Council – Political Parties

PARTY	NUMBER OF WARD COUNCILLORS	NUMBER OF PROPORTIONAL REPRESENTATIVE COUNCILLORS	TOTAL
African National Congress (ANC)	37	19	56
Democratic Alliance (DA)	1	8	9
Economic Freedom Fighters (EFF)	0	7	7
Ximoko Party	0	1	1
Congress of the People (COPE)	0	1	1
African Christian Democratic Party	0	1	1
Total	38	37	75

Furthermore, 10 Senior Traditional leaders were appointed to participate in the Municipal Council by the MEC of Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA)

2.3.1. COUNCIL

The following were Councilors of Makhado Municipality during the year under review:

Table 5 : Names Of Councilors

NO.	NAMES OF COUNCILLORS	NUMBER OF COUNCIL MEETINGS ATTENDED 2018/2019
1.	BABADU, T M	14
2.	BALIBALI, T	14
3.	BALOYI, R S	13
4.	BULALA, S I	10
5.	CHILILO, N F	13
6.	DAVHANA, N D	13
7.	DU PLOOY, A	6
8.	DZIVHANI, T E	11
9.	FURUMELE, M G	7
10.	GABARA, M J	14
11.	HLONGWANE, F B	8
12.	JONES, K B <i>(elected 19 September 2018- Attendance from September 2018)</i>	6
13.	JONES, N B	8
14.	KUTAMA, N	7
15.	KUTAMA, T	14
16.	LUDUVHUNGU, V S	10
17.	LUKHELI, J	12
18.	MACHETHE, M S	13
19.	MADULA, S	14
20.	MADUWA, E	14
21.	MADUWA, L G	14
22.	MADZHIGA, F N	13
23.	MAFHALA, N A	6
24.	MAGADA, M R	10
25.	MAINGO, R T	9
26.	MALANGE, T M	14
27.	MALIMA, M E	11
28.	MALIVHA, N V	14
29.	MALULEKE, K M	14
30.	MAMAFHA T C	13
31.	MAMAFHA, T J	14
32.	MAMOROBELA, T P	10
33.	MAPHUBU, K	14
34.	MARAGA, T A <i>(elected 7 September 2016)</i>	10
35.	MASHAMBA, M A	14

NO.	NAMES OF COUNCILLORS	NUMBER OF COUNCIL MEETINGS ATTENDED 2018/2019
36.	MASIPA, M L <i>(elected 8 February 2017)</i>	14
37.	MASUKA, S	14
38.	MASUTHA, L G	14
39.	MATHALISE, L M	11
40.	MATUMBA, A	14
41.	MBOYI, M D	14
42.	MOGALE, L B	14
43.	MOHLABA, T J	14
44.	MOKGOADI, M R	14
45.	MPASHE, M J	9
46.	MTHOMBENI, S Z	14
47.	MUKHARI, M F	14
48.	MUKWEVHO, G T	9
49.	MUKWEVHO, T D	14
50.	MULEFU, M E	14
51.	MUNYAI, N	14
52.	MUNYAI, N S	13
53.	MUSANDIWA, P N	14
54.	NDOU, M D	12
55.	NDOU, M N	14
56.	NEMATANDANI, M C	14
57.	NEMUDZIVHADI, N S	14
58.	NETHULWE, M F	14
59.	NYELISANI, S S	14
60.	PHOSHOKO, M G	11
61.	RALIPHADA, R	13
62.	RAMAVHOYA, K S	14
63.	RAMUSHAVHA, G M	10
64.	RAPHALALANI, A A <i>(resigned 27 July 2018 – only 2 months' attendance)</i>	1
65.	RASHAMUSE, A G	14
66.	RATSHIKUNI, D	13
67.	SELAPYANA, M A	8
68.	SESHOKI, T	13
69.	SIMANGWE, N J	14
70.	SINYOSI, S M	9
71.	SITHI, E T	13
72.	TAMBANI, T E	14
73.	TSHIAMBWA, L R	12
74.	TSHIBVUMO, G	8
75.	TSHIFURA, S S	3
76.	TSHILAMBYANA, M S	9

2.3.2.COUNCIL MEETINGS

Council is effective and functional and continues to discharge its responsibility as expected. Table below depicts the number of council meetings held during the year under review:

TABLE 6 : COUNCIL MEETINGS HELD

	Ordinary Council Meetings	Urgent Special Council Meetings	Total Meetings
Number of meetings 2018/2019	4	10	14

A total of fourteen(14) Council meetings were held during the year under review. A total of ten(10) meetings were special council meetings, whilst four (4) were ordinary council meetings.

The table below reflects a list and numbers of traditional authorities and councils that that are part of the municipal council.

Table 7 : Senior Traditional Leaders In Council:

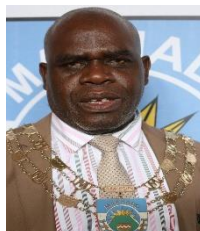
NO.	NAME OF TRADITIONAL LEADER	TRADITIONAL COUNCIL
1.	MUILA T G	MUILA
2.	MUKHARI S T	NKHENSANI
3.	RAMABULANA V C	NTHABALALA
4.	MASHAMBA N T L	MASHAMBA
5.	MUKHARI H S	ELIM-SHIRLEY
6.	KUTAMA P V	KUTAMA
7.	SINTHUMULE R H	SINTHUMULE
8.	MPHEPHU M M	MPHEPHU
9.	MOLEMA F	MULIMA
10.	NETSIANDA P	TSIANDA

2.4 EXECUTIVE COMMITTEE

Makhado Local Municipality functions with an executive committee system of governance. The Executive Committee is composed in line with the provisions of the Local Government: Municipal Structures Act, 1998. The Executive Committee consists of ten members; five full-time members and five part-time members as arranged by General Notice 94 of 2016 promulgated by the M E C for Cooperative Governance, Human Settlements and Traditional Affairs as published in the Provincial Gazette No. 2735 dated 22 July 2016.

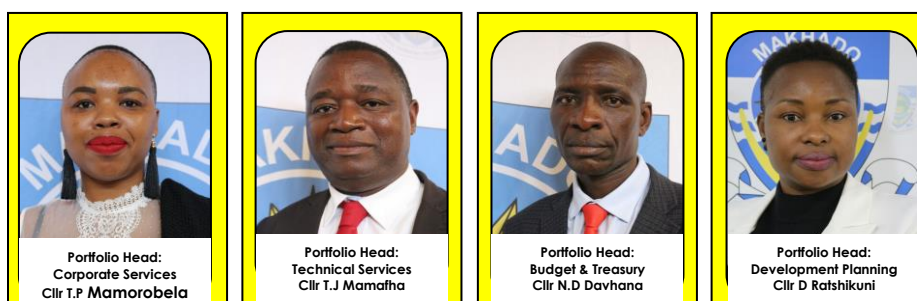
The designation of full-time councilors in terms of the provisions of section 18(4) of the Local Government: Municipal Structures Act, 117 of 1998 read with Part 14 of the General Notice No. 94 of 2016 published in the Provincial Gazette no. 2735 dated 22 July 2016 was resolved by Council on 17 August 2017 with the concurrence of the MEC of COGHSTA as follows:

Figure 4 Executive Committee Members:



His Worship Mayor
Cllr N S Munyai

FULL- TIME EXECUTIVE COMMITTEE MEMBERS



PART-TIME EXECUTIVE COMMITTEE MEMBERS

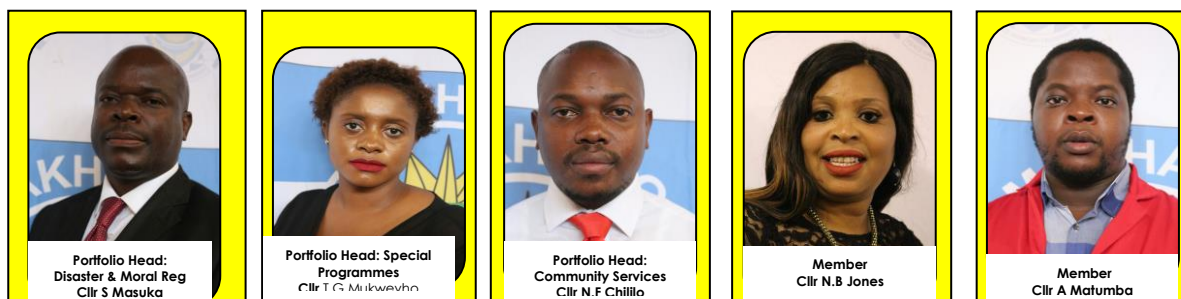


Table 8: Executive Committee

NO	COMMITTEE	NAMES OF COUNCILLORS 2018/19	NUMBER OF MEETINGS ATTENDED
1	EXECUTIVE COMMITTEE	1. SINYOSI S M (Chairperson) until 12 December 2018)	13
		2. MUNYAI, N S (Chairperson from 14 December 2018)	13
		3. CHILILO N F	22
		4. DAVHANA N D	25
		5. JONES N B	12
		6. MAMAFHA T J	24
		7. MAMOROBELA T P	16
		8. MASUKA S	25
		9. MATUMBA A	19
		10. MUKWEVHO G	20
		11. RATSHIKUNI D	25

N.B. The former Chairperson of Exco Cllr S.M Sinyosi served as a Mayor until the 12 December 2018 and was replaced by Cllr N.S Munyai as a Mayor from the 14 December 2018.

The number of meetings conducted by the Executive Committee was as follows:

Table 9: Executive Committee Meetings Held

2018/2019 FINANCIAL YEAR	NUMBER OF MEETINGS HELD
EXECUTIVE COMMITTEE	29

2.4.1. SECTION 79 OVERSIGHT COMMITTEES

Table 10: Section 79 Oversight Committee

NO.	PORTFOLIO COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
1.	TECHNICAL SERVICES	1. KUTAMA N (CHAIRPERSON) 2. MASUTHA L G 3. SITHI E T 4. SIMANGWE N J 5. NETHULWE M F 6. MUKHARI M F 7. MAPHUBU K 8. LUKHELI J 9. NEMATANDANI M C	5 4 3 6 6 5 3 1 4
2.	CORPORATE SERVICES	1. MADZHIGA N F (CHAIRPERSON) 2. MALULEKE K M 3. NYELISANI S S 4. BABADU T M 5. TAMBANI T E 6. TSHIAMBWA L R 7. NEMUDZIVHADI N S 8. MOHLABA T J 9. MAFHALA N A 10. PHOSHOKO M G	19 20 18 20 17 17 17 20 16 1 7
3.	FINANCE	1. MAGADA M R (CHAIRPERSON) 2. MOHLABA T J 3. MAINGO R T 4. BALIBALI T 5. MUSANDIWA P N 6. TSHILAMBYANA M S 7. GABARA M J 8. NDOU M N 9. NEMATANDANI M C 10. DU PLOOY A	11 11 3 8 11 9 11 11 7 6

NO.	PORTFOLIO COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
4.	COMMUNITY SERVICES	1. MTHOMBENI S (CHAIRPERSON) 2. BULALA S I 3. MULEFU M E 4. RAMUSHAVHA G M 5. KUTAMA T 6. TSHILAMBYANA M S 7. NETHULWE M F 8. NDOU M N 9. FURUMELE M G 10. MALIMA M E	6 3 7 3 6 5 5 5 4 3
5.	DEVELOPMENT PLANNING	1. MAMAFHA T C (CHAIRPERSON) 2. TAMBANI T E 3. MADUWA E 4. BABADU T M 5. MUSANDIWA P N 6. MADUWA L G 7. MUKWEVHO T D 8. DZIVHANI T E 9. RAPHALALANI A A	10 11 10 11 10 10 6 6 1
6.	DISASTER, MORAL REGENERATION, SPORTS, ARTS AND CULTURE	1. MACHETE M S (CHAIRPERSON) 2. LUDUVHUNGU V S 3. MALULEKE K M 4. MADULA S 5. MULEFU M E 6. RAMUSHAVHA G M 7. TSHIFURA S S 8. MARAGA T A	0 0 1 1 1 1 0 1
7.	SPECIAL PROGRAMMES	1. MATHALISE L M (CHAIRPERSON) 2. MUKHARI M F 3. MASUTHA L G 4. NYELISANI S S 5. MADUWA L G 6. MPASHE M J 7. PHOSHOKO M G	1 1 0 1 1 0 0

The number of meetings conducted by the Section 79 Oversight Committees was as follows:

Table 11: Oversight Committee Meetings Held

2018/2019 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. TECHNICAL SERVICES	7
2. CORPORATE SERVICES	21
3. FINANCES	14
4. COMMUNITY SERVICES	7
5. DEVELOPMENT PLANNING	11
6. DISASTER MANAGEMENT, MORAL REGENERATION AND SPORTS, ARTS AND CULTURE	1
7. SPECIAL PROGRAMS	1

2.4.2. SECTION 79 STANDING COMMITTEES

Table 12: Section 79 Standing Committees

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
1	MPAC	<ol style="list-style-type: none"> 1. MALANGE T M (CHAIRPERSON) 2. MALIVHA N V 3. MASHAMBA M A 4. NDOU M D 5. MAKGOADI M R 6. RALIPHADA R 7. HLONGWANE B F 8. MPASHE M J 9. SELAPYANE M A 	<p>16</p> <p>14</p> <p>16</p> <p>11</p> <p>15</p> <p>7</p> <p>11</p> <p>11</p> <p>9</p>
2	ETHICS	<ol style="list-style-type: none"> 1. MUNYAI N (CHAIRPERSON) 2. MADUWA E 3. SITHI E T 4. MUKWEVHO T D 5. GABARA M J 6. KUTAMA T 7. NEMUDZIVHADI N S 8. MASHAMBA M A 9. DZIVHANI T E 10. MAFHALA N A 	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration.
3	RULES	<ol style="list-style-type: none"> 1. MUNYAI N S (CHAIRPERSON) 2. RAMAVHOYA K S 3. HLONGWANE B F 4. MAPHUBU K 5. RASHAMUSE A G 6. SIMANGWE J N 7. BALIBALI T 8. BULALA S I 9. MAFHALA N A 10. MADULA S 	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration.
4	WOMEN CAUCUS	<ol style="list-style-type: none"> 1. MOGALE L B (CHAIRPERSON) 2. MOHLABA T J 3. TAMBANI T E 4. BABADU T M 5. LUDUVHUNGU V S 6. SIMANGWE J N 7. MACHETE M S 8. RAMUSHAVHA G M 9. GABARA M R 10. MADULA S 11. MATHALISE L M 12. RASHAMUSE G R 13. RALIPHADA R 14. MBOYI M D 15. MALANGE T M 	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration.

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		16. NDOU M N 17. NETHULWE M F 18. RATSHIKUNI D 19. SINYOSI S M 20. MAMOROBELA T P 21. MAINGO R T 22. MUKHARI M F 23. TSHILAMBYANA M S 24. MUKWEVHO G T 25. MADUWA L G 26. JONES N B 27. NEMATANDANI M C 28. MARAGA T A 29. DZIVHANI T E 30. PHOSHOKO M G 31. FURUMULE M G 32. MOKGOADI M R 33. MUKWEVHO T D	

The number of meetings conducted by the Section 79 Standing Committees were as follows:

Table 13: Section 79 Standing Committee Meetings held

2017/2018 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. MPAC	16
2. ETHICS	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration.
3. RULES	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration.
4. WOMEN CAUCUS	No meetings were held during 2018/19 as the terms of references are still under review.

2.4.3. SECTION 80 COMMITTEES

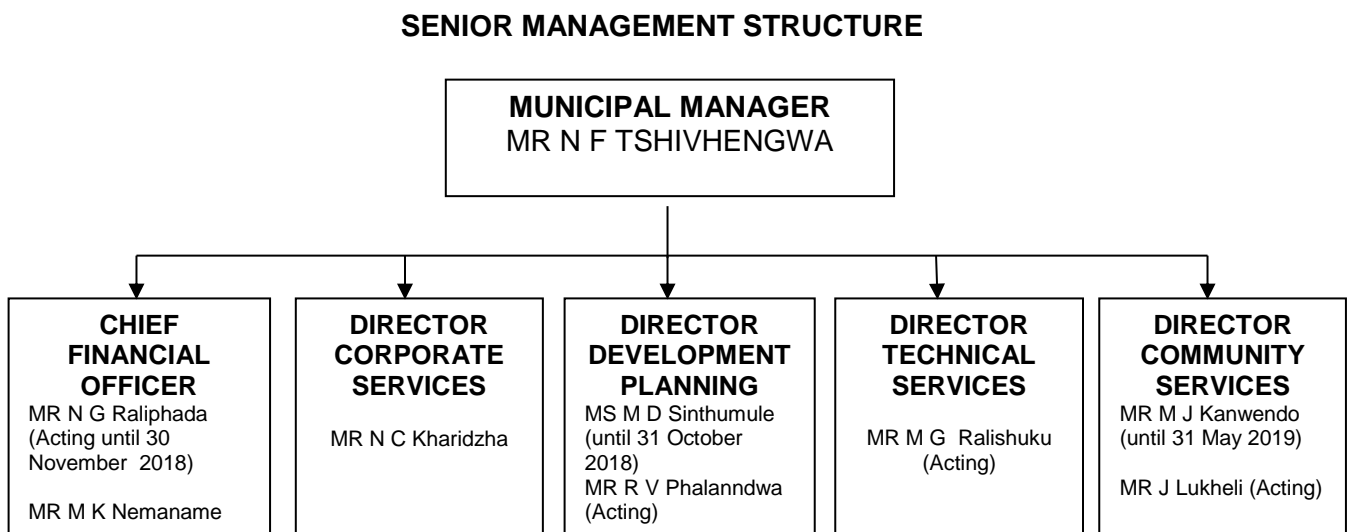
Table 14: Section 80 Committees

NO.	COMMITTEE 2018/2019	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
1	GOVERNANCE AND FINANCIAL VIABILITY	1. DAVHANA N D (CHAIRPERSON) 2. MAMROBELA T P 3. MAMAFHA T J 4. MATUMBA A	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration by Exco.
2	PUBLIC SAFETY AND SOCIAL DEVELOPMENT	1. CHILOLO N F (CHAIRPERSON) 2. MASUKA S 3. MUKWEVHO G T 4. JONES B	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration by Exco.
3	DEVELOPMENT PLANNING AND MUNICIPAL INFRASTRUCTURE	1. RATSHIKUNI D (CHAIRPERSON) 2. MAMAFHA T J 3. DAVHANA N D 4. JONES B	No meetings were held during 2018/19. This Committee only meets when specific matters are referred to it for consideration by Exco.

Note: There were no Section 80 Committee meetings held. Section 80 Committees meet only as and when the Executive Committee has referred matters for its consideration.

2.5. ADMINISTRATIVE GOVERNANCE STRUCTURE

Figure 5: Senior Management Structure



During the year under review vacancies were declared for the posts of Chief Financial Officer and Director Technical Services respectively. Council appointed Mr N G Raliphada and Mr M G Ralishuku to act in those vacancies. It should be noted that the Director Development Planning resigned, whilst the Employment Contract of the Director Community Services expired on the 31 May 2019. Council appointed Mr R V Phalanndwa and Mr J Lukheli in acting capacity for the vacant Section 56 posts. The post of Chief Financial Officer was subsequently filled on 1 December 2018.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.6. INTERGOVERNMENTAL RELATIONS:

Section 3 of the Municipal Systems Act requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Section 41 of the Constitution.

The Municipality participates in the following IGR forums:

- Premier Mayor's Forum,
- District Mayor's Forum,
- District IGR Forum
- Provincial Monitoring and Evaluation forum
- Back to Basic Forum

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality continued to hold its IDP Steering Committee meetings during the year under review with the IDP Representative Forum forming a base or platform for the public to make their contributions and hold the municipality accountable. An Imbizo is an initiative of the municipality where questions are answered; concerns are heard and advice is taken from the public about the municipality's programs and services. The Municipality continues to hold the Imbizo's as scheduled. The Table below depicts the detail of Imbizo's held in 2018/19

Table 15. Imbizo's Held

DATE	TOWN/VILLAGE	NUMBER ATTENDEES	ISSUES RAISED
31/08/2018	Mpheni	950	<ul style="list-style-type: none"> • Water, • Roads/streets, • Housing, • Electricity, • Unemployment, • Crime
23/11/2018	Madabani	870	
01/03/2019	Mamvuka	1100	
20/04/2019	Tshino	1250	

2.7. COMMUNICATION, PUBLIC PARTICIPATION AND FORUMS

Municipality introduced different platforms for Public Participation Programs listed herein below:-

- Izimbizo's
- Ward Based Public Participation Meetings
- IDP Representative Forum meetings
- MPAC Public Participation meetings
- Facebook (Makhado Local Municipality) postings
- Twitter (Makhado Municipal) messages
- Instagram (makhadomunicipality) postings
- Website(www.makhado.gov.za) uploads
- Press/Media Statement broadcasts and publications
- Media Interviews reports and broadcasts

Imbizo's, Ward PP meeting, IDP rep forum- provide a platform for effective communication between the municipality and communities on service delivery issues, while MPAC public meetings provides platform for financial accountability. Social media is another platform that the municipality uses to means of inform and update communities about municipal activities.

2.8. MUNICIPAL PUBLIC ACCOUNT COMMITTEE (MPAC)

The MPAC played an oversight role by exercising oversight of municipal expenditure and revenue in a transparent and accountable manner.

The Municipal Public Account Committee (MPAC) was established by Council comprising of nine (9) members for the term of the Municipal Council. MPAC was able to conduct **sixteen (16)** meetings and submitted fifty five (55) reports to Council for consideration. The MPAC conducted various public hearings and compiled MPAC oversight reports and submitted its recommendation to Council for approval within regulated timeframes.

COMPONENT D: CORPORATE GOVERNANCE

2.9. GENERAL COMMUNICATION

The Municipality has an effective and efficient Communication Unit. Communication strategy was approved by Council and implemented.

Council also approved a Stakeholder Management Framework. Several media statements were produced and radio interviews were conducted with Nzhelele FM, Makhado FM, UNIVEN FM, Hlanganani FM and Phalaphala FM.

The Municipality used social media to communicate and receive feedback on services being rendered. To this effect the Municipality uses Facebook, Instagram and Twitter.

The Municipality also has a functional website. We had **20 456** followers on Facebook, **837** on Instagram and **250** followers on Twitter.

2.10. INTEGRATED DEVELOPMENT PLANNING STEERING COMMITTEE

The municipality has a functional Integrated Development Plan (IDP) unit in place. The unit coordinates planning processes of the municipality in line with relevant regulations. The municipality annually reviewed and adopts IDP process plan and IDP framework for implementation.

The IDP is a tool that helps the local municipality focus on the most important needs of local communities taking into account the resources available at local level. It helps identifies the least serviced and most impoverished areas and points to where municipal funds should be spent. Implementation is made easier because the relevant stakeholders have been part of the process. The IDP provides deadlock-breaking mechanisms to ensure that projects and programmes are efficiently implemented. During the year under review municipality held three(3) IDP Steering Committee held three (3) meetings and five (5) IDP Representative Forums. . It is also worth reporting that the municipality managed to adopt its revised IDP and Budget within the stipulated time-frames.

2.11. AUDIT AND PERFORMANCE AUDIT COMMITTEE (APAC):

2.11.1. Legal framework governing the Audit Committee

Section 166(1) of the Local Government: Municipal Finance Management Act, 2003 (Act number 56 of 2003 as amended) (MFMA) requires from each municipality to have an audit committee.

In terms of section 166(2)(a) of the MFMA the audit committee is an independent advisory body which must “amongst others” advise the municipal council on matters relating to:

- i. Internal financial controls and internal audits;
- ii. Risk management;
- iii. Accounting policies;
- iv. The adequacy, reliability and accuracy of financial reporting and information;
- v. Performance management;
- vi. Effective governance;
- vii. Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- viii. performance evaluation; and
- ix. any other issues referred to it by the municipality.

In addition sections 166(2)(b), (c), (d) and (e) require from the committee to review the annual financial statements, respond to Council on any issues raised by the Auditor-General (South Africa) in the audit report, carry out such investigations into the financial affairs of the municipality and to perform such other functions as may be prescribed by the Council.

2.11.2. GOVERNANCE OF THE COMMITTEE

















All members of the Audit Committee are non-executive members and all meetings of the committee were held in accordance with the charter of the committee as approved by Council.



During the year under review, revised audit charter was approved by Council. The Manager: Internal Audit reports operationally to the Municipal Manager and functionally to the Audit Committee.

During the year under review, the Audit Committee has executed its responsibilities in accordance with section 166 of the Local Government: Municipal Finance Management Act, 2003 (Act number 56 of 2003 as amended). There were no appointments and resignations during the financial year under review.

The table below detailed the names of audit committee members as appointed by Council and numbers of meetings held.

Table 16. Meetings Attended By Audit Committee Members

Name	Designation	NUMBER OF MEETINGS ATTENDED			
		27 November 2018	13 December 2018	23 January 2019	23 April 2019
Ms. Jane Masite	Chairperson				
Mr. Denga Ramuedzisi	Member				
Mr. Ntsieni Matenzhe	Member				
Mr. Jan Letsepe Thubakgale	Member				

	Attendance
	Non-attendance

It should be noted that Mr Jan Letsepe Thubakgale only managed to attend one (01) audit committee meeting during the financial year under review and the matter is receiving attention from Council.

ICT Steering Committee is a management Committee that guide and advise management on ICT matters. During the year under review, there were a number of projects completed as per the institutional ICT Strategy. Amongst others we had a:

- Call Centre Automation
- Leave application automation
- Musekwa Thusong Centre network installation
- Provision of computer equipments for all critical staff members

2.11.4. INTERNAL AUDIT

Internal Audit reported system weaknesses and recommended corrective actions for management to address the deficiencies. Management implemented internal audit recommendations to enhance the system of internal controls to the acceptable level. The committee is satisfied that the internal audit division has during the period under review effectively focused its available resources towards identified critical risk areas in accordance with the approved Risk Based Annual Audit plan for 2018/9. The committee also approved the Risk Based Annual Audit plan for the 2019/2020 reporting period and was given the assurance that every effort will be made by the Accounting Officer to have all the resources available to properly execute the plan.

During 2018/19, all Internal Audit activities were completed in accordance with the approved Internal Audit Charter and no compromise of the independence or objectivity of the function was observed throughout for the year under review.

Internal Audit follow-up report has noted that management has implemented an appropriate tracking system so that all reported matters are tracked, managed and get resolved timeously.

The committee noted an improvement in the percentage of audit findings resolved by management.

The committee also believes that Internal Audit has effectively carried out its mandate and responsibility in accordance with the MFMA and approved Internal Audit Charter.

One-on-one discussions with the Manager Internal Audit did not reveal any matters of concern.

2.11.6. MATTERS OF CONCERN

Audit Committee entered into discussions with the Accounting Officer again to emphasize the critical need for enhanced revenue management initiatives in order to effectively address the cash flow challenges faced by the municipality. The municipality has a revenue enhancement strategy in place, to enable increased revenue collections.

2.11.7. PERFORMANCE MANAGEMENT

Management has during the year under review implemented the Council approved performance management plan. The Audit Committee noted that Management has developed a performance management policy and procedure manual which was approved by Council.

The Performance Audit Committee monitored management's evaluation of identified "external service providers" as required by section 46 of the Municipal Systems Act, 2000.

The Manager Internal Audit has in terms of the Municipal Finance Management Act and Municipal Systems Act regulations on a quarterly basis audited and provide assurance on the reported performance information. the reported performance information. All system weaknesses were brought to the attention of the Accounting Officer and commitment has been made to improve the system.

2.11.8. COMPLIANCE WITH MFMA, THE ANNUAL DIVISION OF REVENUE ACT AND ANY OTHER APPLICABLE LEGISLATION

The Audit Committee recommended improvement to the system implemented by management. The Chief Audit Executive recommended that, the system to monitor compliance with applicable laws and regulations be enhanced to ensure reliability. The Audit Committee also noted that compliance in some instances is not being addressed in a timely manner. However, the Risk Management, Anti-Fraud and Anti-Corruption Committee as an Independent committee from the Audit Committee, assisted the Audit Committee in tracking the progress by management in this regard.

The municipality Council has zero tolerance for non-compliance with laws and regulations.

2.11.9. REVIEW AND EVALUATION OF QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

With regard to the review and evaluation of quarterly and annual financial statements, the committee has arranged to review and discussed the Annual Financial Statements with management and Auditor-General (SA), before it was submitted to AG. This included the review of the Auditor-General's management report and management's responses. The committee also reviewed the changes in the Accounting Policies and Practices.

2.11.10. AUDIT OPINION

The committee concurs with audit opinion. The Audit Committee concurs with the issues raised by the Auditor-General (South Africa). The Audit Committee also concurs with the action plan in terms of which management had addressed the reported issues. The Audit Committee has signed an undertaking with the AG (SA) Office to closely monitor implementation of the corrective measures and on a regular basis the report is submitted to Council.

The Audit Committee also noted that there are no unresolved differences of opinion between the Auditor-General (South Africa) and the Accounting Officer.

2.11.11. INTERACTION WITH THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The Audit Committee regularly reported to MPAC the processes followed by the Audit Committee with regard to the evaluation of the Annual Report. MPAC was also briefed on the control system implemented by the Manager Internal Audit for purposes of tracking progress on the resolution of audit findings reported by the Manager Internal Audit and all other role players for the meetings held by the Audit Committee.

2.12. RISK MANAGEMENT




The Municipality has adopted a strategic enterprise risk management, that is aligned to the principles of good corporate governance, as supported by Section 62(1) (C) (i) of the Local Government Municipal Financial Management Act (No. 56 of 2003) and chapter 4 of King III Report (Third report on corporate governance of South Africa). Risk management is recognized as an integral part of responsible management and therefore, municipality has adopted a comprehensive approach to management of risk

























The Risk Management Committee and Audit committee have assisted the Accounting Officer to execute his risk responsibilities. Further, the committee acknowledges the progress made in risk management processes which improved the risk management maturity level of the municipality. Risk Management, Anti-Fraud and Anti-Corruption Committee as the name indicates, is a management committee chaired by an independent Chairperson to guide and advice management while providing close Audit Committee oversight.

During the year under review, Council appointed Mr L S Mofokeng as Chairperson of the Risk Management Committee by Council Resolution on 01 September 2018 and he also reports to the Audit Committee on Risk Management matters.

During the year under review, Council managed to adopt a risk management strategy. The risk management strategy ensures that the municipality receive early warning signs on service delivery issues. Municipality has achieved level 4 which is 96% on assessment scale of 1 to 6, compared with the previous 4.8 rating indicating continuous improvement in our governance processes.

2.12.1. TOP TEN STRATEGIC RISKS ARE AS FOLLOWS:

NO	STRATEGIC RISK	RISK MOVEMENT	LEVEL OF SATISFACTION (INTERNAL CONTROL ASSESSMENT)		RISK STATUS
1	Services Delivery Failures		Weak		
2	Financial Sustainability		Satisfactory		

3	Ageing & Aged Infrastructure		Weak		
4	Inadequate ICT governance & ICT Delivery risk		Satisfactory		
5	Fraud, Theft and Corruption		Satisfactory		
6	Inadequate skill set due to inability to attract & manage talent		Satisfactory		
7	Health, Safety & Security risks and Environmental welfare		Satisfactory		
8	Non Compliance with Legislation		Satisfactory		
9	Contracting & Contract Risk		Satisfactory		
10	Ineffective Spatial Planning		Satisfactory		

2.12.3. FRAUD AND CORRUPTION MANAGEMENT

Fraud and Corruption represent a significant potential risk to the Municipality's' assets, service delivery efficiency and reputation. The Municipality do not tolerate corrupt or fraudulent activities, whether internal or external. Communities are also encouraged to report all incidents relating to fraud and corruption to the district shared hotline. There were no fraud and corruption cases reported during the year under review. The Municipality always ensure that all incidents reported are followed up and investigated. The hotline number is **0800 66 85 38** or fraud@makhado.gov.za or fraud@kpmq.co.za

2.13. EFFECTIVENESS OF INTERNAL CONTROL

The Municipality adheres to a dynamic integral process that is continuously adapting to the changes faced by local government as it strives to align itself to the principles of good corporate governance. To this instance it is supported by amongst others, Section 62(1)(C)(i) of the Local Government Municipal Financial Management Act (No. 56 of 2003) and chapter 4 of King III Report (Third report on corporate governance of South Africa).

The municipality recognizes internal control as an integral process that is affected by the Municipal's council, senior management, management and personnel as it is designed to address the risks faced by the Municipality and also to provide reasonable but not absolute assurance that in pursuit of the Municipality's mission and vision. Based on the above-mentioned, the following general objectives of Internal Controls has been achieved:

- Executing orderly, Ethical, Economical, Efficient and Effective Operations
- Fulfilling Accountability obligation
- Complying with applicable laws and regulations
- Safeguarding of Resources against loss, misuse and damages

The Municipality has done a lot in ensuring that the general objectives of internal controls are achieved by creating and establishment of the following structures:

- Risk Management Unit
- Internal Audit Unit
- Performance Management Unit
- Anti-Fraud and Risk Management Committee chaired by an Independent person
- Audit and Performance Audit Committee chaired by an Independent person
- Municipal Public Accounts Committee
- Any other governance committee structure

2.14. INTERNAL AUDIT DIVISION

The municipality has a fully functional Internal Audit Division which is mandated to provide independent, objective assurance and consulting services geared towards adding value to the municipality and improved quality of the service delivery. Internal Audit is an independent division which is a significant contributor to corporate governance within the municipality by providing assurance services.

To date, the Internal Audit Division has developed and implemented a risk-based Annual Audit Plan which is aligned to the municipality strategy (IDP) and Strategic Risk Register which was adopted and approved by the Audit Committee and Council respectively.

Internal Audit contributed to strengthening of the governance mechanisms the municipality by supporting the Audit Committee and Performance Audit Committee, and presenting audit reports of value adding and system enhancing nature at meetings and in so doing assisting them in exercising their legislative mandates:

2.14.1 INTERNAL AUDIT OUTCOMES FOR 2018/19

The Aggregate Rating of the Audit and Performance Audit Committees' performances on a 1-5 scale during 2018/19 were:

AUDIT COMMITTEE AND PERFORMANCE AUDIT COMMITTEE PERFORMANCE EVALUATION	
EVALUATED BY THE EXECUTIVE MAYOR; SPEAKER OF THE COUNCIL; MUNICIPAL MANAGER; SENIOR MANAGEMENT TEAM AND AUDIT COMMITTEE MEMBERS	
2018/19	Audit and Performance Committee
Expertise and know-how	4.6
Inquiry attitude, objectivity and independence	4.8
Judgment	4.7
Knowledge of Local Government and its objectives	4.8
Understanding of and commitment to the Committee's duties and responsibilities	4.4
Devotion of time in order to participate effectively in the Committee	4.5
Timely responses	4.6
Attendance of meetings	4.2
Overall Percentage 2018/19	91.5%
Overall Percentage 2017/18	84.8%

Internal Audit plans included a consulting services framework, strategy and methodology, aimed at increasing the range of value-added services that internal audit provides to its stakeholders, while maintaining its independence in relation to assurance services. Consulting services comprise a wide range of activities based on management's needs. These services are tailored to resolve specific issues that senior management identifies as requiring attention which ranges from advisory, educational and/or facilitative in nature.

Internal Audit also contributed to strengthening other governance mechanisms within the municipality by providing technical support to the MPAC as well as by providing quality reports, which the Audit Committee used to exercise its oversight responsibility effectively in terms of its charter.

During the year under review, Internal Audit introduced a continuous auditing/real time audit technique which was used to provide a snapshot of the internal controls in order to enable timely and regular assurance of the municipality control effectiveness by monitoring the compliance with key controls. This approach assisted the municipality in identifying internal control gaps or deficiencies and send the warning signs to management timeously.

During the year under review, Internal Audit provided assurance and reported on the adequacy and effectiveness of controls in the municipality's business processes as well as in specialized areas such as Supply Chain Management, Performance Management, Value for Money Audit, Compliance, Financial, IT Governance, Risk Management and Internal and External OPCA follow-up which resulted in a **100%** audit coverage.

It is worth to report that Internal Audit was able to facilitate the AGSA Dashboard Reports on the Key Control Environment which are quarterly signed off by the Mayor. These reports contributed to key leadership commitments made by the key role players, including the Mayor in order to strengthen the executive leadership and oversight in maintaining clean governance.

During the year under review, Internal Audit also provided assurance in respect of the adequacy and effectiveness of controls in all the clusters. Based on the outcomes of these audits, Internal Audit provided the Audit Committee with a written assessment on the status of the municipality internal controls for the 2018/19 reporting period.

For seamless approach on the achievement of clean administration at the municipality, this process was aligned to the Auditor-General Dash Board Report-Drivers of Internal Control which also contributes to commitments made by the Mayor to improve the audit outcomes. Internal Audit reached the same assessment results and/or conclusion as the Auditor-General.

2.14.2. ANNUAL ASSESMENT OF INTERNAL CONTROLS

The figure below depicts municipal internal control assessment.

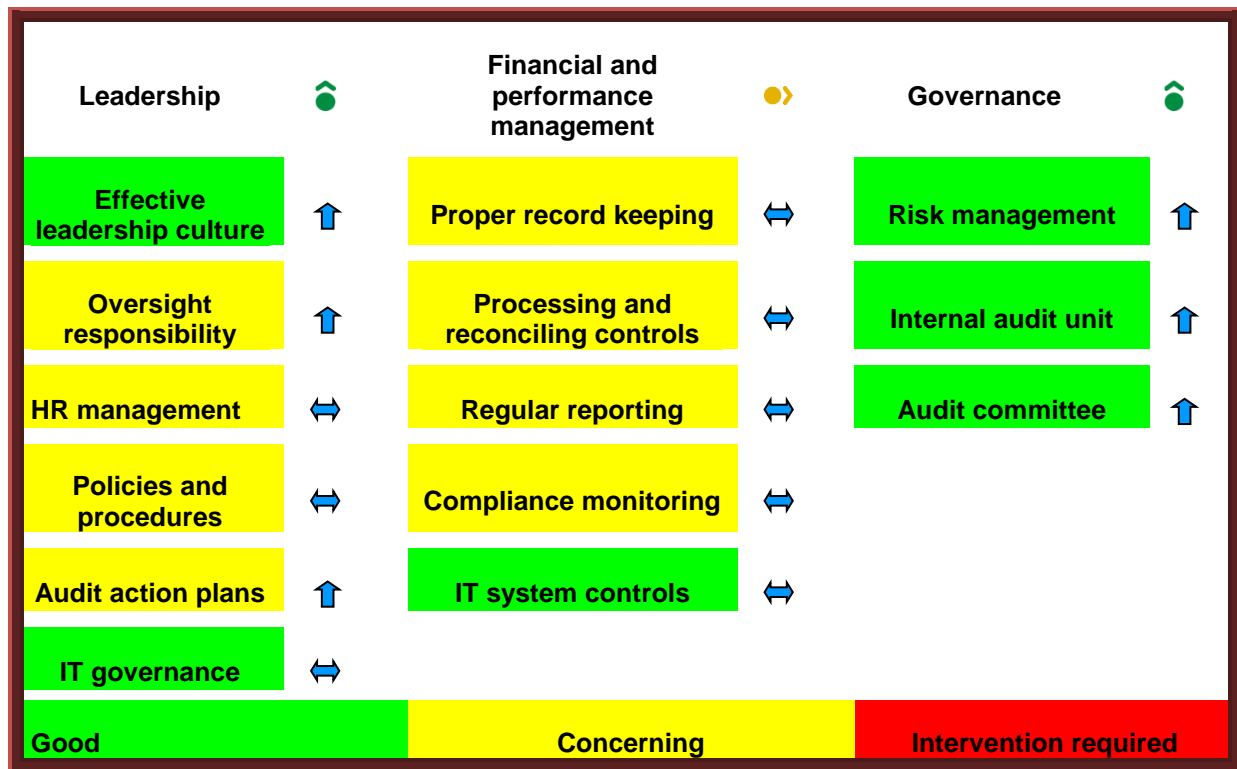


Figure 3.1 Summary of the status on driver of internal controls for Annual AG Dashboard 2018/19

Management attention is needed to implement Management comments and corrective actions furnished into Key Internal Controls.

The report was presented for signed-off by the Mayor, submitted to EXCO and Council for adoption.

Further, continuous key control environment assessment by management and evaluation by AGSA External Auditors as at the end of November 2019 indicated slight improvement on Leadership, Financial and Performance Management and improvement on Governance processes

Internal audit facilitated and followed up on key commitments and initiatives for 2018/19 financial year as committed by various Assurance Providers. The results were agreed upon by the Accounting Officer, Senior Management, Audit Committee, Mayor, Exco and Council. Internal Audit reached the same assessment results on assurance levels as reported in the Auditor-General management report.

The assessment as performed on the Assurance Providers is outlined below and progress as assessed by Internal Audit for the 2018/19 financial year Annual report.

Key Role Player	Assurance Levels
Senior Management	Provide Some Assurance
Accounting Officer	Provide Some Assurance
Mayor	Provide Assurance
Internal Audit	Provide Assurance
Audit Committee	Provide Assurance
Coordinating institutions	Provide Assurance
Municipal Public Accounts Committee	Provide Assurance
Municipal Council	Provide Assurance

Provide Assurance	Provide Some Assurance	Provide limited/No Assurance
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Intervention is required as there are still critical vacant positions at senior management level. The assurance level is yellow on senior management, given that most of senior management position except for the Muniicipal Manager and Chief Financial Officer remain vacant...

Out of seven (7) key role players in the municipality, All have provided responsibility on their key commitments as compared to previous financial year,

It should be noted that management showed committed to the OPCA process by continuously implementing the internal and external audit recommendations so as to retain an unqualified audit opinion and move towards the clean audit opinion, demonstrating a clean administration.

2.14.3. OPCA EXTERNAL AUDIT FOLLOW-UP

Internal Audit followed up on the progress with regard to the implementation of recommendations and action plans to address internal control deficiencies and resolving External Audit findings.

The table below provides a high-level summary of progress made towards resolving 2017/18 AG findings as at 30 June 2019:

Category of finding	Number of findings	Verified by Internal audit as resolved	Not resolved	ISA Findings	Toughies	Work in progress
BUDGET AND TREASURY DEPARTMENT						
Property Plant and Equipment	9	5	0	0	0	4
Cash flows	1	1	0	0	0	0
Debt impairment	2	2	0	0	0	0
VAT payable	1	1	0	0	0	0
Revenue from exchange	5	5	0	0	0	0
Sundry debtors	1	1	0	0	0	0
Required improvement	3	3	0	0	0	0
Payable from exchange transaction.	2	2	0	0	0	0
Statement of changes in net Assets	3	3	0	0	0	0
Employee cost	2	2	0	0	0	0
Remuneration of Councilors	1	1	0	0	0	0
Consultants	1	1	0	0	0	0
SCM	1	1	0	0	0	0
Non compliance	1	1	0	0	0	0
other findings	3	3	0	0	0	0
TOTAL	36	32	0	0	0	4
MUNICIPAL MANAGER'S OFFICE						

PMS	18	14	0	0	0	4
Risk Management (BIA)	1	1	0	0	0	0
Internal Audit Unit	1	0	0	0	0	1
TOTAL	20	15	0	0	0	5
CORPORATE SERVICES DEPARTMENT						
HR Management	3	1	0	0	0	2
ICT	8	6	0	0	0	2
TOTAL	11	7	0	0	0	4
AVERALL TOTAL FINDINGS						
	67	54	0	0	0	13

Resolved	80,60%
Not resolved	0,00%
Work in progress	19,40%
ISA findings	0,00%
Toughies	0,00%

The municipality managed to resolve 80,60% of the 2017/18 financial year AG findings. The 19.40% of unresolved findings included required AGSA testing and AOP that could be addressed during 2019/20.

2.14.4. OPCA - INTERNAL AUDIT

Internal Audit followed up on the progress made with regard to the implementation of recommendations and action plans to address internal control deficiencies and resolving Internal Audit findings.

Management has made a significant improvement as compared to the year 2017/18 financial year.

The table below provides a high-level summary of the audit findings dated 30 June 2019:

Category of finding	Number of findings	Resolved	Not resolved	Work in progress	Not due
BUDGET AND TREASURY DEPARTMENT					
Supply Chain Management – Warehouse and Inventory	7	2	1	1	3
Bank and Cash Management Review	10	9	0	1	0
Revenue Enhancement Strategy	10	5	0	1	4
Asset Management Review	16	12	0	0	4
TOTAL	43	28	1	3	11
DEVELOPMENT PLANNING					
Local Economic Development	10	5	2	0	3
Environmental & Building Control Review	7	1	1	1	4
TOTAL	17	6	3	1	7
MUNICIPAL MANAGER'S OFFICE					
PMS	28	15	5	1	7
Risk Management Review	5	0	0	1	4
TOTAL	33	15	5	2	11
CORPORATE SERVICES DEPARTMENT					
HR Management	16	5	7	1	3
Cooperate Governance Review	5	2	2	1	0
TOTAL	21	7	9	2	3
COMMUNITY SERVICE					
Bank and Cash Management	2		0	2	0

Review					
TOTAL	2	0	2	0	0
AVERALL TOTAL FINDINGS	116	56	20	8	32

Description	Implementation status in %
Resolved	48%
Not resolved	17%
work in progress	7%
Not due	28%

2.14.5. EVALUATION OF INTERNAL AUDIT

Internal Audit was evaluated by all the stakeholders on a scale of one to five. The Internal Audit is operating within the commitment of the entire Makhado Local Municipality and internal audit staff where everybody is striving towards meeting agreed upon deadlines.

In overall the Internal Audit had a very successful 2018/19 reporting period.

The following results indicate that internal audit was continuously adding value to the Makhado Local Municipality control, risk management and governance process during the 2018/19 reporting period:

<i>Performance Evaluation of Internal Audit Activity</i>		
<i>Self-Evaluation and Audit Committee 2018/19</i>		
<i>CRITERIA</i>	<i>Audit Committee</i>	<i>Self-evaluation</i>
	<i>Rating</i>	<i>Rating</i>
Managing the Internal Audit Activity	4.8	5.0
Status of the Internal Audit Activity	5.0	5.0
Nature of Work	5.0	5.0
Continuing Professional Development	4.4	4.6

Risk-based Auditing	4.3	4.5
Technology	3.0	3.2
Resources	4.4	4.8
Quality Assurance and Development	3.8	4.1
Communications	5.0	5.0
Relationship with Stakeholders	5.0	5.0
Operational Requirements	5.0	4.8
Overall Percentage 2018/19	91.4%	92.7%
Overall Percentage	92.05%	

2.14.6. INTERNAL AUDIT HIGHLIGHTS AND SUCCESSES FOR 2018/19

- Executed the continuous auditing model;
- Reviewed Mid-Year Financial Statements which resulted in Makhado Local Municipality submitting Annual Financial Statements which were free from material misstatement;
- Participated and assisted in the OPCA process which contributed towards the Municipality achieving Qualified Audit opinion as compared to the previous financial year wherein the Municipality achieved Adverse Audit opinion;
- Followed a communication strategy to build good communication and client relations with management and all related stakeholders.

Chapter 3

Service Delivery Performance

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

3.OVERVIEW OF SERVICE DELIVERY

Makhado Local Municipality is mandated to provide the following basic services:

- Electricity and,
- Refuse Removal, whilst water and sanitation are the responsibility of Vhembe District Municipality as a Water Service Authority (WSA).

According to Census 2011, Makhado Municipality service delivery backlog is summarized as follows:

Table: 17 Backlogs

SERVICE	NUMBER
Refuse Removal (household)	88 252
Housing	16 807

The **electricity** backlog stood at (8880) households which included Eskom distribution area and it is predominantly comprised of new developments and extensions. By end June 2019, a total of 2095 households were provided with basic electricity in the municipality. Therefore the municipality still had a backlog of 5090 households.

With regards to **refuse removal**, a total of 17285 households were given access to refuse removal during the year under review. This represents coverage of 15% of the total municipality households. The remaining 85% which is in rural areas are receiving attention through the annual allocation of skip bins.

3.1.OVERVIEW OF CAPITAL PROJECTS IMPLEMENTED

3.1.1. ROAD INFRASTRUCTURE

During the year (2018/2019) under review, the Municipality implemented a total of twelve (12) Capital projects which includes upgrading of gravel to surfaced roads, construction of bridge and sports facility. Out of the projects implemented during the year, five (5) roads projects completed which makes a total of 11.6 kilometres of new surfaced road, **Tshikwarani to Zamekomste Road Phase 2, Tshedza to Vuvha Access Road Phase 2, Mudimeli Bridge & Access Road Phase 2, Gombita Tshivhuyuni to Mamphagi Road Phase 2 and Sereni to Mashamba Access Road Phase 3** were completed, whilst seven (7) projects were are still continuing to 2019/2020 financial year.

3.1.2. ELECTRICITY CONNECTIONS

Eskom provides electricity to township households in 3 Townships and 164 villages as well as some private farms, whilst the Makhado Local Municipality provides electricity to the town of Makhado, 37 villages and private farms.

Currently the provision of basic electricity at household level to reduce the service backlog in both licensed areas is done on an annual basis with funding from the Department of Energy (DoE) through the Integrated National Electrification Programme (INEP). Areas identified are formulated into projects that are incorporated into municipal IDP. Households in the advantaged areas are connected as and when application is received from individuals or developers.

During 2018/19, a total of 1257 households were connected with electricity which represent an increase of% as compared to 1034 in the pervious financial year.

Financial Year	Makhado Municipality	Local	ESKOM	Total
2016/17	942		429	1371
2017/18	1034		660	1694
2018/19	1257		838	2095
TOTAL	3233		1927	5160

Municipality electrified 1257 households, whilst Eskom electrified 880 households. 2095 households were electrified during the year under review.

The major challenge which the municipality is experiencing is the mushrooming of households in arrears where electrification projects had already been implemented; this creates a need for post-connections. Apart from the above mentioned challenge, there are more challenges which the municipality is facing day-by day which affects the electricity supply, which are as follows;

- Ageing infrastructure
- Backlog in preventative maintenance
- Limited funding and resources to maintain and improve the existing infrastructure
- High electricity losses due to theft and failures of old infrastructure
- Illegal connections
- Mushrooming of informal settlements and settlement on private land
- Criminal activities (such as vandalism and theft)

3.1.3. ROADS UPGRADING AND REHABILITATION

The Makhado Local Municipality is also responsible for the provision and maintenance of road infrastructure. Upgrading and maintenance of roads and storm-water improves accessibility within the municipality. The roads infrastructure networks and storm-water systems must be reliable, so as to improve economic conditions of the municipality.

The intention is to ensure that the public have usable roads, this can be achieved through effective spending and high quality maintenance of our roads. The major challenge for the municipality, as maintenance authority, is the ageing of infrastructure, insufficient funding and skilled personnel to adequately maintain the road network. Funding is on a downward spiral as the increase of funding on a year-to-year basis is less than previous years due to inflation.

In 2018/2019 financial year, municipality has implemented twelve (12) roads projects, which included upgrading of roads from gravel to tar (surface) throughout the regions. By end of June 2019, the following five (5) projects were completed and roads were opened for traffic;

Table 18: Roads Completed

No.	Project Description	Kilometres surfaced
1	Tshedza to Vuvha Access Road Phase 2	1
2	Tshikwarani to Zamkomste Road Phase 2	3
3	Mudimeli Bridge and Access Road Phase 2	2.4
4	Gombita, Tshivhuyuni to Mamphagi Road Phase 2	1
5	Sereni to Mashamba Road Phase 3	4.2
TOTAL		11.6

3.2. BASIC SERVICES

3.2.1 PROVISION OF ELECTRICITY SERVICES

In terms of Stats SA 2016, by the 1st of July 2017 Makhado Local Municipality had a total of 7504 household without access to basic electricity, comprised of new settlement and villages extensions. Most of this number is under the Eskom licensed areas. The Municipality has a free basic electricity (FBE) policy which is designed to service the poor households or indigents. During the year under review a total of 6208 (2546 Makhado Local Municipality & 3662 Eskom) household were given free basic electricity. A total of 1%. (based on the cost of sales).

Makhado Local Municipality is implementing an alternative source of energy programme. PV Solar is rolled out across the entire municipality to non-grid customers. Engagements are at advanced stage with department of energy for funding as the cost per unit is out of approved norm.

During the year under review at total of 2095 household were electrified within the municipality. Makhado Local Municipality electrified 1257 households whilst Eskom electrified a total of 838 households.

By end of June 2019, municipality had a total of 114 366 households having access to basic electricity. Table below detailed the names of villages benefited including source of funding and budget spent.

Table 19 Electricity Connections

PROJECT	ACHIEVEMENTS	FUNDING	BUDGET SPENT
Songozwi Feeder line	8KM Feeder line	INEP	R612,168.96
Songozwi village	42 connections	INEP	R490,189.28
Mudimeli village	210 connections	INEP	R1,971,848.68
Mashau Tshilaphala	87 connections	INEP	R1,432,490.07
Muananzhele & Mavhungeni villages	700 connections	INEP	R12,406,303.01
Post connection MLM	218 connections	OWN FUNDING	R1,676,277.00
Own funding TOP UP to INEP projects		OWN FUNDING	R3,161,374.18
TOTAL	1257	INEP	R 16,913,000.00
		OWN FUNDING	R4,837,651.18

It should be noted that, whilst municipality is doing well with regards to electrification, however the municipality is experiencing huge challenge with regard to operation and maintenance of the current electrical infrastructure. Lack of funding as well as a very large backlog in preventative maintenance have been identified as a key risks, of which municipality will need to focus on urgently. Another critical challenge is of bulk supply capacity to expand the growth of town. To date the municipality electrical bulk capacity amount to 48 MVA. This capacity is not enough if municipality intend to meet the Special Economic Zone expectations. The Municipality is currently in negotiation with Eskom and it is anticipated that additional 18MVA will be made available in year 2020/21.

The Municipality is experiencing low response rate, with regards to respond on call-out. A total of 11 117 calls were lodged with the Call Centre during the year under review.

Table below represents the last three (3) years stats of fault attended.

3.2.2. FAULTS REPORTED AND ATTENDED

Table 20: Electricity Faults

Unplanned outages	2015/2016	2016/2017	2017/2018	2018/19
Reported and attended	6528	7283	5326	11,117

In order to improve in monitoring the performance a new telephone system were installed at the Call Centre in order to improve on monitoring. Statistics for 2018/2019 depicted below shows the engagement in service delivery response.

Table 21: Call Centre Statistics – Electricity

MONTH	ELECTRICITY COMPLAINTS NUMBER OF CALLS	TOTAL NUMBER OF CALLS
JULY 2018	555	683
AUGUST 2018	573	626
SEPTEMBER 2018	724	799
OCTOBER 2018	795	849
NOVEMBER 2018	1054	1117
DECEMBER 2018	1476	1548
JANUARY 2019	1449	1498
FEBRUARY 2019	1438	1478
MARCH 2019	1089	1130
APRIL 2019	754	739
MAY 2019	588	560
JUNE 2019	622	670
TOTAL	11,117	11,697

On average, 88% of all calls received at the Call Centre were complaints related to electricity services.

Due to the municipality's vast electrical network, the determination of the losses are challenges. The NERSA norm on electricity losses is 10%. Losses are due to overhead power lines, wind, heat, copper, iron and aluminum losses that are inherent in any electrical distribution system. None of the two can be done due to financial capacity and equipment constraints.

Table below is the last 3 years distribution (energy) loss.

Table 22: Electricity Losses

YEAR	2016/2017	2017/2018	2018/19
LOSSES	10.75%	8.7%	13.62%

3.2.4. PROVISION OF REFUSE REMOVAL SERVICES (WASTE MANAGEMENT)

The municipality has 2 licenses/ permits for waste transfer station in two regions being Watervaal and Dzanani. Dzanani Refuse Transfer Station is in operation whilst Watervaal is not due to land availability challenge. With regards to waste drop off facilities, the municipality has an existing six (6) drop off sites and 35 refuse skip bins were strategically located in various villages within the municipality.

As part of poverty alleviation, the municipality participated on Nakisani Vhupo Hashu program and a total number of 250 unemployed workers were appointed as part of Extended Public Works Program (EPWP). A total number of 22 Waste Management ambassadors and coordinator for good green deeds (Thuma-mina) Presidential project was deployed to the municipality to fight against environmental pollution.

As per our service standards, all domestic households in R293 towns were serviced once per week, whilst businesses were serviced twice per week. During the year under review a total number of 17285 households were serviced, 984 businesses were serviced twice per week. However, Central Business District's (CBD) were serviced on daily basis. As part of keeping our environment clean, the municipality has rendered refuse collection and cleaning of public open spaces. By June 2019, a total area of 519 km² has been cleaned.

The Municipality appointed Infraburo Civil and Structural Constructing Engineering for Rehabilitation of Vondeling Landfill site. During the year under review 17 285 collection points were serviced. The increase in the number of employees per annum represent the increase in the volume of work being done as reflected in the table below:

Table 23: Increase Of Cleaning Programs

Item.	2016/17	2017/18	2018/19
Nakisani Vhupo Hashu program	120 workers	211 workers	250 workers
Cleaning of public open spaces	519 m ²	519 m ²	519 M ²

The municipality scooped position two (2) in the 2018/19 Greenest Municipality Competition at district level. The municipality was evaluated on Waste Management, Energy efficiency, Conservation, Water Management, Landscaping, Tree planting, Beautification, Public participation, Community Empowerment, leadership, institutional arrangement and score the highest amongst all four participated local municipalities within Vhembe district municipality.

The Integrated Waste Management Plan (IWMP) which was developed in-house, approved by council has been endorsed by the MEC of Limpopo Economic Development, Environment and Tourism (LEDET).

The municipality had procured additional 25 waste skip bins to serve as refuse referral points in rural areas.

Table 24: Solid Waste Service Delivery Levels:

SOLID WASTE SERVICE DELIVERY LEVELS				
DESCRIPTION	HOUSEHOLDS			
	2016/2017	2017/2018	2018/2019	
	ACTUAL	ACTUAL	ACTUAL	REMEDIAL ACTION
<u>Solid Waste Removal:</u> (Minimum level)				
Removed at least once a week	15481	17267	17285	Increase collection points by 10%
<i>Minimum Service Level and Above sub-total</i>	15481	17267	17285	None
<i>Minimum Service Level and Above percentage</i>	13,3%	14%	15%	None
<u>Solid Waste Removal:</u> (Below minimum level)				
Removed less frequently than once a week	N/A	N/A	None	None
Using communal refuse dump	N/A	N/A	None	None
Using own refuse dump	N/A	N/A	None	None
Other rubbish disposal	N/A	N/A	None	None
No rubbish disposal	100890	116371	116371	None
<i>Below Minimum Service Level sub-total</i>	100890	99104	99086	None
<i>Below Minimum Service Level percentage</i>	86,7%	85%	85%	None
Total number of households	15481	17267	17285	None

Variations in the above years were noted due to new demarcation after 2016 Local Government elections, which saw a large part of the municipality falling under Collins Chabane Municipality.

3.2.5. COMMUNITY & SOCIAL SERVICES

The Municipality has a total number of 13 community halls that were servicing communities, during the financial year under review. These halls are strategically located per region. These facilities are also used by communities when they held their community meetings.

3.2.6. MUNICIPAL PUBLIC LIBRARIES

The Municipality owns one (01) public library and play a coordinating role on libraries that belongs to Provincial Government under the Department of Sport, Arts and Culture. The Municipality has coordinated 10 additional satellite libraries located within its jurisdiction. During the year under review municipality also participated at various events of which amongst others, this includes readathon, library week, world book day and back to school campaigns.

Table 25: Public Library – Books Issued And Members

ACTIVITY	2016/17	2017/18	2018/19
Books issued	4675	3198	2659
Satellite Libraries	4	4	8
New Members	223	194	159

The municipality satellite libraries have increased from four (04) in the previous financial year, to eight(08)during the year under review. The satellite libraries are; Musekwa, Makhado Correctional Centre, Tshifhire Primary School, Old Age Home, Emmanuel Christian School, Maluta Secondary School, Kutama Secondary School and Masungulo Primary School. A total number of 2659 books were issued to library users and the number of new members increased by 159, during the year under review.

3.2.7. MUNICIPAL PARKS AND CEMETERIES

During the year under review, the Municipality managed to operate and maintained a total of twenty nine (29) parks, four (4) sports facilities, six (6) cemeteries and municipal ablution facilities within its jurisdiction. The new park has been developed under Dzanani Region, whilst a new Electronic Cemetery Management system was procured during the year under review, for effective management of Cemeteries.

3.2.8. MUNICIPAL CREMATORIA AND HERITAGE

The municipality has one crematorium which is mostly used by the Muslim community. The municipality provide basic maintenance. The municipality has also performed some maintenance functions at heritage sites, i.e Dzata Museum.

3.2.9. DISASTER MANAGEMENT SERVICES

With regard to Disaster Management Services, the municipality had experienced a total number of fifty(50) fire and seventy two(72) storm/flood incidences, whilst a twenty seven(27) disaster relieve programs were conducted during the year under review.

Table 26: Disaster Incidents

Incidences	2016/17	2017/18	2018/19
Fire Incidence	21	50	50
Storm/floods Incidence	188	714	72
Death Incidences	02	1	0
Burned Incident	23	1	0
Disaster relieve programs	150	74	27

Variations in the above years were caused due to different challenges of climate changes experienced in each year in comparison to the year under review.

3.2.10. Environmental Health

Makhado Local Municipality is rendering Municipal Health Services which is the competency of District Municipality. During the year under review the following programs were done:

Table 27: Environmental Health Activities

Activities	2016/17	2017/18	2018/19
Business premises inspected	305	297	183
Certificates of acceptability issued	86	68	45
Water samples performed	19	21	3
School inspection performed	09	03	12
Building plan scrutinized	158	165	115

The section is also monitoring and supervising the collection and disposal of Health Care Risk Waste (HCRW) by appointed service provider who is responsible for servicing female toilets. The main aim is to reduce the health hazards within its municipal buildings.

3.2.11. PROTECTION SERVICES

The Municipality renders Security Services at all the municipal properties within municipal areas. This includes provision of security for revenue collected at various municipal pay points. The Division is composed of Traffic Law Enforcement, Registering Authorities, Vehicle Testing Stations and Driving License Testing Centres. During the year under review the following activities were performed:

3.2.12. TRANSPORT: VEHICLE LICENSING & TRAFFIC SERVICES

Municipality is an agent of Department Transport for the issuing of vehicle licenses which also includes testing of vehicles as part of vehicle licensing procedure. For this task the Municipality retains 20% of revenue generated from these services which does not cover its operational costs to perform the function. The municipality continue to render traffic services in an effort to ensure the maintenance of highest safety standards.

TABLE 28: TRAFFIC & LICENSING ACTIVITIES:

Activities	2016/17		2017/18		2018/19	
	No.	Value	No.	Value	No.	Value
Written notices issued	12128	R6359180	10688	R5590950	10382	7992100
	Actual		Actual		Actual	
Department of transport 80%	R 17 155 457.76		R 13 987 719.26		R14 462 300.04	
	Actual		Actual		Actual	
Municipality 20%	R 4 288 864.34		R 3 721 929.81		R3 615 575.00	

3.2.13. SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor. This unit is responsible with overseeing the following programs:

- Youth, Women and the Aged,
- HIV/AIDS,
- Arts and Culture,
- Sports and Recreation,
- Moral Regeneration,
- Children,
- Traditional Affairs and
- Batho-Pele.

Council has established structures for each category which is governed in terms of national, provincial and local legislation and by laws respectively.

The structures are functional and various capacity building programmes have gone a long way in providing required skills and knowledge for members.

Table 29: Child Care; Aged Care; Social Programmes

FINANCIAL YEAR	2016/2017		2017/2018		2018/2019	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
SERVICE TARGETS						
Women's Forum	4	4	4	4	4	4
Senior Citizen Forum	4	4	4	4	4	4
Youth Programmes	4	4	4	4	4	4
Moral Re generation	4	4	4	4	4	4

3.2.14. HOUSING FOR THE POOR

The provision of housing is the function of the Provincial Department of Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA) and the municipality plays an active role in the coordination of the housing development projects by making land available for such development, providing lists of beneficiaries, identifying challenges and resolving them with support from local stakeholders like Ward Committees and traditional leaders. A total number of 300 houses were built in the 2018/2019 financial year.

The Municipality is an accredited level One by the Department of Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA)

Table 30 Housing Projects

FINANCIAL YEAR	2016/2017		2017/2019		2018/2019	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Service Objectives	400	396	800	725	300	300

N.B. CoGHSTA is still addressing 2015/16 housing backlogs

3.3. DELIVERY OF FREE BASIC SERVICES

The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1)(b) and 153(b) of the Constitution.

Council adopted a Policy on Subsidy Scheme for Indigent Households, 2018/19 as per Council Resolutio A.57.31.05.18. The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Makhado Municipality and to ensure that the same procedure be followed for each individual case.

Services Subsidised:

Electricity

A subsidy of fifty (50) units of electricity per property per month to all individual households will apply. Where the consumption exceeds fifty (50) units per month the consumer will be charged for actual consumption exceeding fifty (50) units at the approved tariff.

Refuse Removal

A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year.

The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

Table 31: Support: Low Income Households

FINANCIAL YEAR		2016/2017		2017/2018		2018/2019	
SERVICE TARGETS		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
<i>Provision of Free Basic Services</i>	Electricity	34 693	34693	5430	5430	8000	7105
	Refuse Removal	119 809	119 809	119 809	119809	17285	17285

3.4. OTHER MUNICIPAL SERVICES

3.4.1. ROADS AND STORM WATER DRAINAGE

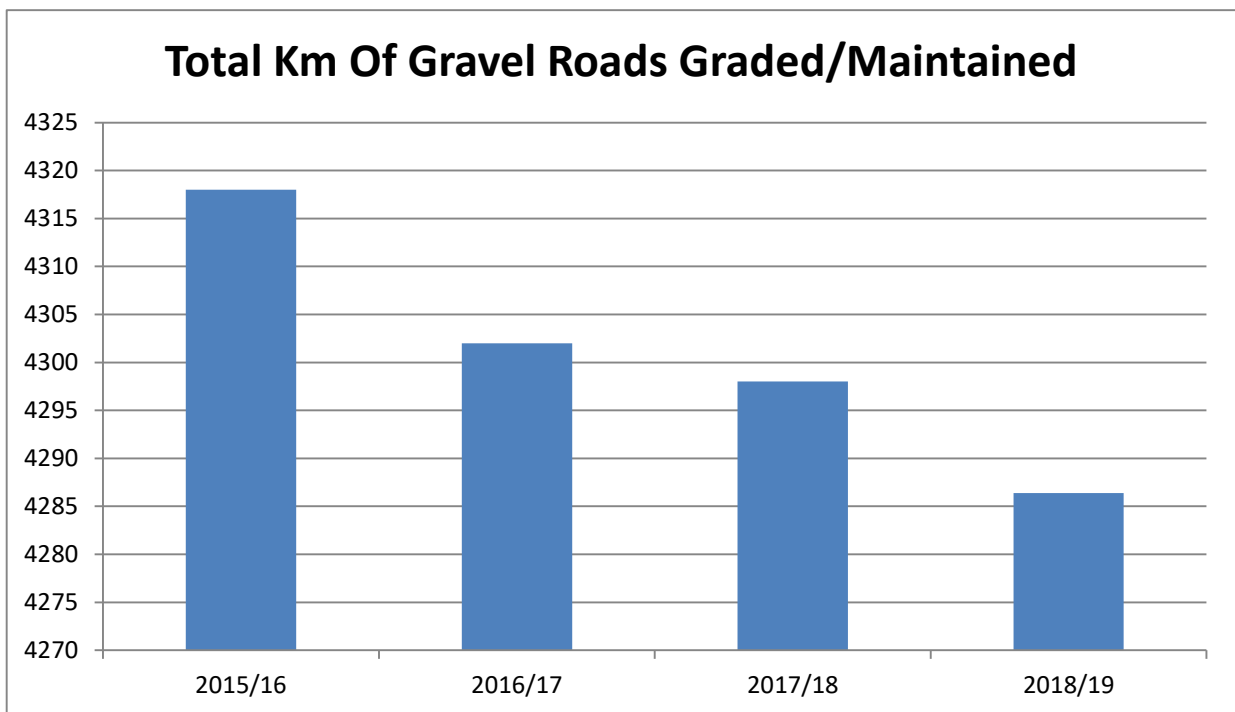
The internal street networks in the rural areas are predominantly gravel and are generally in a bad state. Most of these villages are located in a predominantly clay and mountainous areas which hamper proper access to the communities particularly during the rainy season. There are either inadequate or no proper storm water and drainage systems in rural areas which result in severe erosion of streets as well as damming of water. Most of the roads linking the villages are graveled and lack proper maintenance and cannot be used in very wet conditions.

The streets in Makhado town and the proclaimed townships are generally tarred and provided with storm water drainage systems. Most of the tarred streets are in bad condition and need to be rehabilitated. In general, the roads in Makhado Municipal area are in a bad condition and require either upgrading or rehabilitation to be accessible during all weather conditions.

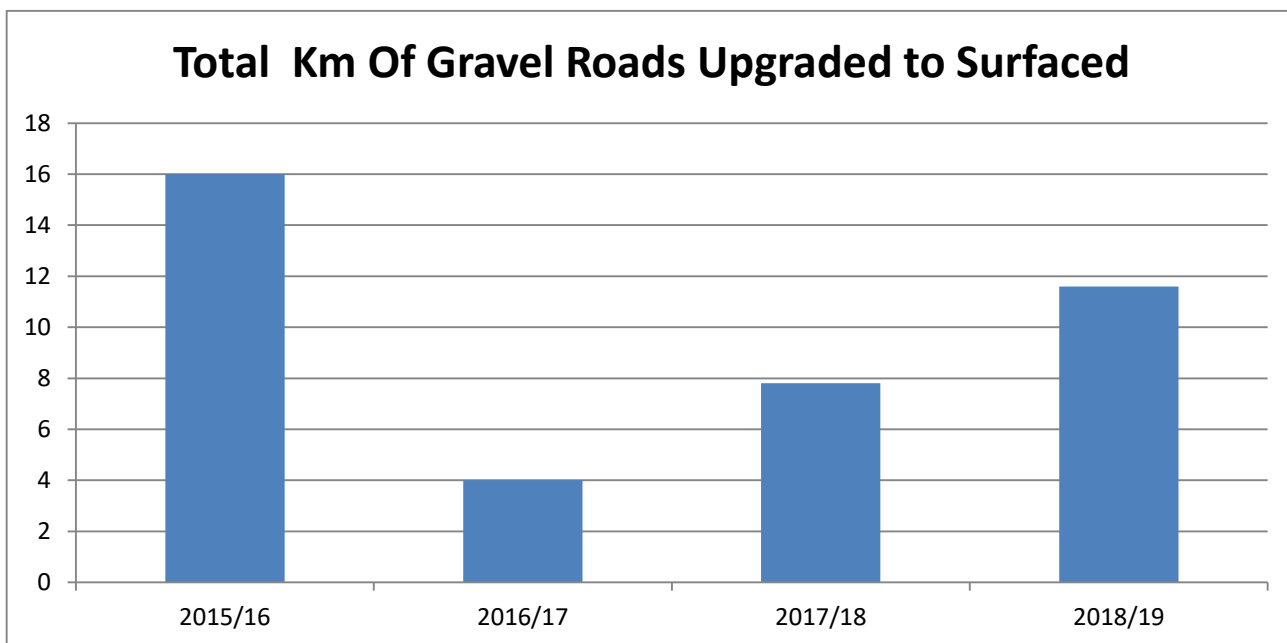
The total road and storm water management system backlog is estimated at approximately four thousand three hundred and four (4,304) km. The largest backlog is in Dzanani, Waterval and Levubu regions in which most of the villages are located in mountainous, rocky and clayish positions which aggravate the condition. These regions require more tarring to improve the condition. The Municipality has an annual program for the upgrading of roads from gravel to surfaced over a long term. In 2018/19 financial year the following roads were upgraded: Gombita, Tshikwarani/Manavhela, Mudimeli, Tshedza, Valdezia, Mashamba and Piesanghoek (Matshavhawe) villages.

Table 32: Gravel Road Infrastructure

GRAVEL ROAD INFRASTRUCTURE				
KILOMETERS				
	TOTAL GRAVEL ROADS	NEW GRAVEL ROADS CONSTRUCTED	GRAVEL ROADS UPGRADED TO ASPHALT	GRAVEL ROADS GRADED / MAINTAINED
2015/16	4318	0	16km	4318km
2016/17	4302	0	4km	4302km
2017/18	4298	0	7.8km	4298km
2018/19	4286.4	0	11.6km	4286km



A total number of 4286 kilometres of gravel roads has been maintained during the year under review.



A total number of 11.6 kilometres of gravel roads has been upgraded to asphalt during the year under review, as compared to only 7.8 kilometres during the 2017/18 financial year.

3.4.2 ROAD MAINTENANCE PROGRAMME

Besides maintaining surfaced roads, gravel roads are also maintained on a regular basis through our municipality road maintenance Programme.

Table 33: Capital Expenditure 2018/19: Road Services

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Sereni Themba to Mashamba post office Access Road	R 0.00	R 2 310 000.00	R 2 310 000.00
Piesanghoek to Khunda Access road Phase 4	R 8 878 116.59	R 0.00	R 8 878 116.59
Landfill site makhado + recycling centre	R 1 565 622.37	R 0.00	R 1 565 622.37
Tshikwarani to Zamkomste Road Phase 2 & 3	R 20 454 143.58	R 0.00	R 20 454 143.58

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Waterval Sports Facility Phase 2	R 8 707 729.59	R 0.00	R 8 707 729.59
Tshedza to Vuvha Access road Phase 2	R 6 307 527.35	R 0.00	R 6 307 527.35
Mudimeli bridge and Access road Phase 2	R 13 636 382.52	R 0.00	R 13 636 382.52
Gombiti, Tshivhuyuni to Mamphagi Road phase 2	R 11 428 658.87	R 0.00	R 11 428 658.87
Valdezia Xitacini to Jiweni access road phase 2	R 11 991 024,63	R 0.00	R 11 991 024,63
Makhado 8 High Mast Lights in all regions	R 843 640.00	R 0.00	R 843 640.00
Chavani to Bungeni Access road	R 2 568 066,00	R 0.00	R 2 568 066,00
TOTAL	R 87 747 488.32	R 2 310 000.00	R 90 057 488.32

3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

Makhado Local Municipality receives MIG funding for development of its infrastructure. In 2018/2019 financial year a total of R87 732 000 million was allocated in this regard. Municipality was able to spend 100% MIG expenditure. It should be noted that Municipality has maintained 100% expenditure performance for the past 6 years. Apart from the MIG funding the Municipality contributed with the amount of R 2 310 000.00 to complete the Construction of Sereni Themba to Mashamba post office Access Road.

3.6. DEPARTMENT OF DEVELOPMENT PLANNING

Development Planning plays a critical role in ensuring that the municipal vision to be realised. The strategic objectives of this unit cannot be isolated from the municipal vision and mission. In order to achieve the Vision there must be planned projects each and every financial year. The spatial plans must be implemented while taking

into cognisance provincial and national plans. The Department is consists of Local Economic Development Division, Town Planning, Building, Survey, Properties, Valuation, Environment ,Local Economic Development (LED) and Housing sections. The Department plays a pivotal role in terms of developing plans, policies, by-laws and strategies aimed at attracting developments, investors and job creation, and it is also the main driver to the success of the Municipality vision.

3.6.1. SPECIAL ECONOMIC ZONE

Makhado Local Municipality is a provincial growth point and has been declared special economic zone. As indicated during the previous annual report that the municipality is taking full advantage of the special economic zone, the Council at it's a meeting held on the 30th October 2018 took a resolution for the maximum participation by delegating Municipal officials to be part of SEZ board .The designated farms that forms part of SEZ include Somme 611 MS, Remainder of farm Lekkerlag 580 MS and Portion 1 of the farm Joffre 584 MS . Municipality is in the process of developing spatial development framework to cover the area marked area. The draft application in relation to SEZ will be submitted for Municipality comments during 2019/2020 financial year.

3.6.2. AUTHORISED OFFICIAL, MUNICIPAL PLANNING TRIBUNAL AND APPEAL AUTHORITY

In compliance with the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) and the Municipality by-law, it was reported during 2017/2018 annual report that the Municipality has since appointed authorised official to consider land development and land use applications.

During 2018/2019 financial year, the authorised official considered 136 applications compared to 120 applications considered during 2017/2018 financial year. The council at its meeting held on the 31 July 2018 and 30 August 2018 considered a report for the advertisement to call for nominations of Municipal Planning Tribunal and Appeal Authority respectively. The appointment was done in August 2019 and the report will be given in the next annual report.

3.6.3. LAND ALIENATION AND REVENUE COLLECTION

The alienation of properties plays a significant role in terms of bringing development to the Municipality. As part of the revenue collection, the Development and Planning Department is also responsible for the management of the Municipal valuation roll. The valuation roll was successful implemented on the 1st July 2018 and Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) was adhered with during the process. The Department will continue with the monitoring of supplementary valuation rolls.

3.6.4. DEMARCATION OF RESIDENTIAL SITES

In order to achieve advance spatial planning and promote community well-being and environmental welfare, it was reported during the previous annual report that the municipality is also demarcating residential sites in communal land. This is also aimed at proper implementation of SPLUMA, Spatial Development Framework, Land Use Scheme and By-Law. The municipality also demarcated one thousand five hundred sites. During the year under review sites were demarcated in the following areas: Kutama Tshikwarani, Zamenkomste, Lufuko and two areas in Mashamba). Two projects (Kutama Tshikwarani and Zamenkomste) were completed while the remaining three are left with sites pegging.

The Municipality will continue to support and build on other short to medium public and private programmes like the Expanded Public Works Programme, establishment of cooperatives and SMME's in the tourism and agriculture sectors. It should be noted that there are a number of cooperatives that need funding as financial constraints remain a challenge.

With regards to building and zoning plans, table below detailed the 2018/19 achievements per category of applications:

Table 34. Building And Zoning Plans (2018/19)

Category	Number of new applications received
Building Control	298
Rezoning	13
Consolidation	3
Erven alienated	8
Subdivision	6
Consent	114
TOTAL	595

During the year under review a total of 595 applications were received and attended to. This included 298 building control, 13 rezoning, 03 consolidation, 08 erven alienated, 06 subdivision and 114 consent applications.

3.6.5. LOCAL ECONOMIC DEVELOPMENT

The Municipality is also responsible for Local Economic Development and in partnership with the National Department of Small Business Development Municipality had during 2018/2019 financial year continued to support Tshakhuma Community Fruit Market. Feasibility studies for both Dzanani traders market, Erf 210 Burgher stalls, Rathidili Incubation Centre and N1 Tourism center has been completed.

The Municipality has during 2018/2019 financial year funded and supported four cooperatives namely Vuyeriwani-Agricultural Cooperative, Vhutuwa –Luvhola Poultry

Cooperative , Sala o Nabe Poultry Primary Cooperative and Mukondeni Pottery The projects that were supported by the Municipality from own income, during 2018/19 financial year are the following:

Table 35: Led Projects

No	Name of Project	Kind of Support	Number of beneficiaries	Amount
1	Vuyeriwani-Agricultural Cooperative	Agricultural implements	14	R58220.00
2	Vhutuwa –Luvhola Poultry Cooperative	Poultry farming feeds and equipments.	16	R25525,00
3	Sala O Nabe Poultry Primary Cooperative	Poultry farming feeds and equipment's.	12	R189750.00
4	Mukondeni Pottery	Water Tanker	12	R41516.00

Table 36: EPWP Jobs Created

YEAR	JOB'S CREATED THROUGH EPWP PROJECTS
2015/2016	453
2016/2017	351
2017/2018	684
2018/2019	250
TOTAL	1488

4 SDBIP PERFORMANCE

During the year under review, the municipality had nine (07) Key performance Indicators under Municipal Transformation and Organizational Development Key Performance Area. Of the nine KPI's, Six (06) were achieved, whilst one (01) was not achieved.

Basic Service Delivery and Infrastructure Development key performance area had thirty two (32) Key performance Indicators during the year under review. The municipality achieved nineteen (19) Key performance Indicators, whilst thirteen (13) Key performance Indicators were not achieved.

The municipality had thirteen (13) Key Performance Indicators under Municipal Finance and Management Viability key performance area. Twelve (12) Key performance Indicators were achieved, whilst one (01) Key Performance Indicator could not be achieved.

Local Economic Development key performance area had seven (07) Key Performance Indicators. Five (05) Key Performance Indicators were achieved whilst two (02) Key Performance Indicators was not achieved.

Good Governance and Public Participation key performance area had fifteen (15) Key Performance Indicators during the year under review. The municipality managed to achieve ten (10) Key Performance Indicators, whilst five (05) could not be achieved.

The municipality had a total number of 69 (Sixty nine) key performance indicators during the year under review. A total number of 50 (Fifty) key performance indicators were achieved, whilst 19(Nineteen) key performance indicators could not be achieved.

This constitutes an overall municipality performance of 77%.

4.3.1.ANALYSIS OF MUNICIPAL SDBIP PERFORMANCE

Table 51: Municipal SDBIP Performance

ANALYSIS REPORT				
SDBIP ANALYSIS REPORT 2018/19				
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET ACHIEVED	NOT ACHIEVED
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT				
Integrated Development Planning	1	1	0	
Performance Management	4	4	0	
Human Resources and Organizational Development	2	1	1	
Spatial and Town Planning	2	1	1	
	7	6	1	
TOTAL	85%			
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET ACHIEVED	NOT ACHIEVED
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT				
Sports	2	1	1	
Free Basic Services	1	0	1	
Waste management	4	3	1	
Parks and recreational	3	1	2	
Electricity	8	5	3	
Roads	14	9	5	
	32	19	13	

TOTAL	59%		
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED
MUNICIPAL FINANCE AND MANAGEMENT AND VIABILITY			
Revenue Management	1	1	0
Expenditure	5	4	1
Financial Statements	3	3	0
Budget and Reporting	2	2	0
Supply Chain Management	2	2	0
	13	12	1
TOTAL	92%		
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED
LOCAL ECONOMIC DEVELOPMENT			
Local Economic Development	7	5	2
TOTAL	71%		
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED
GOOD GOVERNANCE AND PUBLIC PARTICIPATION			
Risk Management	3	3	0
Public Participation	1	1	0
Internal Auditing	3	2	1
Information Technology	1	0	1
Council Services	2	2	0
	10	8	2
TOTAL	80%		
Summary of Annual Targets Achieved			
Key Performance Areas	Total KPI	Achieved KPI's	Percentage achievement
MTOD	7	6	85%
BSD	32	19	59%

LED	7	5	71%
MFMV	13	12	92%
GGPP	10	8	80%
OVERALL ACHIEVEMENT: 77%			

Chapter 4

Organisational Development Performance

CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

As at 30 June 2019, Makhado Municipality had a total workforce of (583) employees, distributed to various departments. The Table below depicts the number of employees and vacancy rate per departments.

Table 37. Employee Numbers And Vacancies

Description	Employees Numbers and Vacancies					
	2016/17	2017/18	2018/19			
	Employees numbers	Employees numbers	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager's	06	16	16	10	06	0.86%
Corporate Services	46	46	56	50	6	0.86%
Community Services	161	192	186	160	26	3.76%
Technical Services	164	234	179	137	42	6.07%
Development Planning	24	34	34	29	05	0.87%
Budget & Treasury	73	94	94	72	22	3.18%
Dzanani Regional Office	55	76	70	60	10	1.4%
Waterval Regional Office	71	77	56	67	0	0
TOTAL	600	776	691	583	117	17. %

By the end of the financial year, the vacancy rate was at 17%. The root cause of having high vacancy rate is mainly due to not filling terminated positions.

AGE PROFILE

AGE PROFILE	MALE	FEMALE	Total
61-65 Years	27	17	44
51-60 Years	127	82	209
41-50 Years	113	63	176
31-40 Years	83	44	127
21-30 Years	13	14	27
18-20 Years	0	0	0
TOTAL	363	220	583

A total number of 385 employees, comprising of 176 and 209 employees were between the ages of 41-50 and 51-60 respectively. This represented a high number of the municipality aging workforce which will require the municipality to develop a comprehensive succession plan.

Table below depict the staff turnover rate, during the year under review:

Table 38. Turnover Rate

Details	Total appointments as of beginning of Financial Year	Terminations during the financial year	Turn-Over Rate
	No.	No.	%
2016/17	620	45	7.25
2017/18	646	32	4.9%
2018/19	583	25	4.3%

The Municipality had a staff turnover of 4.3%, which is 0.6% lower than the previous financial year.

COMPONENT B: MANAGING MUNICIPAL WORKFORCE

The following policies amongst others guide the managing of the municipal workforce; policies are reviewed on a needs basis only.

Table 39. Human Resources Policies

	Name of Policies	Completed %	Reviewed
1	HR Strategy	100%	28 /05/2015
2	HR Plan	100%	30/06/2018
3	Leave Policy	100%	14/07/2016
4	Retention Strategy Policy,	100%	15/12/2014
5	Training and Development Policy,	100%	15/12/2014
6	Overtime Policy,	100%	11/05/2018
7	Employment Practices Policy,	100%	15/12/2014
8	HIV Policy	100%	27/10/2005
9	Placement Policy,	100%	27/10/2011
10	Funeral Policy,	100%	08/10/2015

	Name of Policies	Completed %	Reviewed
11	Employee Assistance Program Policy,	100%	29/08/2006
12	Transfer of Staff Policy,	100%	30/05/2017
13	Housing Allowances Policy,	100%	29/08/2006
14	Pension Fund and Medical Aid Policy,	100%	29/08/2006
15	Travel and Subsistence Allowance Policy	100%	29/08/2006
16	Standby Policy,	100%	30/05/2017
17	Cellular Phone Policy,	100%	30/05/2017
18	Local Government Service Charter,	100%	26/10/2017
19	Sports Team Policy,	100%	27/03/2018
20	Tobacco Control Policy,	100%	14/07/2016
21	Occupational Health and Safety Policy,	100%	14/07/2016
22	In-Service Training Policy,	100%	28/08/2006
23	Employment Equity Plan	100%	05/11/2013
24	Succession Planning Policy, 2006	100%	29/08/2006

The turnaround time for review of Council policies which were recently adopted by Council was set at 3 years or earlier as and when the Municipal Manager, Council or any Structure of Council requires changes in policy position.

4.HEALTH AND SAFETY MATTERS

4.1.OCCUPATIONAL INJURY

During the year under review the Municipality recorded a total of **18** injuries in the current year, **10** being **disabling injuries** resulting in a Disabling Injuries Frequency Rate (DIFR) of 0.5% which is 0.5% lower than that of F/Y 2017/18. The DIFR of the 2018/2019 F/Y year (0.5%) has shown a significant reduction compared to the 2017/2018 result of (1%) and this is attributed to effective incident investigations and intensive induction Program. However, EPWP employees were the cause of concerned with high injuries rate due to failure to provide them with PPE timeously which requires consequence management.

Table 40 : All The Injuries Recorded On A Year Under Review:

S/NO	DATE OF ACCIDENT	SALARY NUMBER	INITIAL AND SURNAME	GENDER	PARTICULARS OF ACCIDENT	LEAVE PERIOD	NO OF DAY
01	22/08/2018	S003607	Nekhavambe R	Male	Ankle Sprain	From: To: 30/8/18	07
02	23/08/2018	EPWP	Mbasigidi H	Female	Foot Injury	From:23/8/2018 To: 30/8/2018	07
03	11/09/2018	EPWP	Nengovhela V	Male	Eyes Injury (Asphalt Spill)	From:12/9/2018 To: 13/9/2018	01
04	01/10/2018	S006289	Mahada TC	Male	Electric Shock	From: To:	None
05	13/10/2018	EPWP	Tshivhase LC	Male	Toe Injury	From:13/10/2018 To: 22/10/2018	09
06	27/11/2018	Learnership	Musiwa M	Female	Foot Injury	From:04/12/2018 To: 04/12/2018	None
07	28/12/2018	EPWP	Matumba KE	Male	Foot Injury	From: To:	None
08	23/01/2019	EPWP	Chauke G	Male	Ankle Sprain	From:24/01/2019 To: 30/01/2019	06
09	24/01/2019	Intern	Pule TP	Male	Elbow Injury	From: To:	None
10	25/01/2019	EPWP	Tshikota T	Female	Eye Injury	From:25/01/2019 To:28/01/2019	03
11	21/01/2019	EPWP	Mulaudzi N	Male	Wrist Injury	From: To	None
12	18/02/2019	EPWP	Mamphogoro L	Male	Neck Injury(MVA)	From:19/02/2019 To:22/02/2019	03
13	25/02/2019	EPWP	Makhubele M	Male	Leg Injury	From:25/02/2019 To:27/02/2019	02

14	27/02/2019	EPWP	Nengudza A	Female	Insects Bite (Wasp)	From:27/02/2019 To:29/02/2019	02
15	08/03/2019	S008625	Madzivhani EA	Male	Insects Bite (Bees)	From: To	None
16	22/03/2019	EPWP	Shandukani O	Female	Body Injury	From: To	None
17	04/03/2019	EPWP	Mambona R	Female	Eye Injury	From: To	None
18	19/03/2019	S009623	Netshia N	Male	Eye Injury	From:19/03/2019 To:20/03/2019	02

The Municipality has introduced mechanisms to address basic causes of all incidents and identify relevant management for intensive and effective incident investigation interventions to reduce the high rate.

There were no reported public incidents for the period under review. This can be attributed to the fact that the Municipality has enforced compliance on construction safety. All Contractors appointed by the Municipality has been advised to display safety notices on the construction sites with the intent to prevent injuries and fatalities around construction sites by creating public awareness on health and safety issues. These notices contain vital precautionary information for communities in the areas where these projects take place.

4.2.ABSENCE DUE TO ILL HEALTH

4.2.1.SICK LEAVE

The employees are entitled to eighty days (80) sick leave in a three year leave cycle in terms of the SALGBC Main Collective Agreement. The Table below depicts the further information

Table 41. Sick Leave Statistics

Salary Band	Total sick leave days	Proportion of Sick Leave without medical certificate	Employees granted sick leave	Total Employees in posts	Estimated Cost R
MM and Section 57	22	0	2	6	R 83126.00
Management	340	1	10	30	R 534545.00
Highly Skilled Supervision	897	5	38	141	R 1091293.00
Highly Skilled Production	724	03	19	197	R 644041.00
Skilled	1696	0	47	105	R 993847.00
Lower Skilled	1521	0	78	104	R 572291'00
Total	5200	09	194	583	R 3919143.00

SUSPENSIONS

In terms of the Employees Disciplinary Code, in a case of alleged misconduct, an employee may be suspended. The following employees were suspended during the year under review

Table 42. Suspensions

Post	Nature of alleged misconduct	Date of Suspension	Details of Disciplinary Action Taken or Status of the Case	Date Finalised
Mr M.J Kanwendo: Director Community Services	Alleged misconduct of misappropriation of public funds	13 November 2018	The Case was outsourced to external expertise	30 May 2019

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.3.SKILLS DEVELOPMENT AND TRAINING

The municipality develops its workforce by ensuring that there is sustainable capacity building. This is done in the first place by conducting skills audit. The results of skills audit assist in compilation of the skills development plan or Workplace Skills Plan (WSP). The plan is submitted to **LGSETA** as a guiding document in terms of which training will be done for the particular financial year. **Legislators** and Employees across all levels have been through various capacity building programs.

4.3.1. TRAINING

The Table below provides details of the demographic breakdown of various training provided to councilors and employees:

Table 43 : Training Provided For 50 Councilors:

Demographic	Male	Field of Study	Female
African	22	<ul style="list-style-type: none"> Integrated Councilors Induction Program (ICIP) Phase II (49) Human Resource Development (HRD) Municipal Good Governance(01) 	26
White	0		1
Coloured	1		
Indian	0		
Total	23		

In both financial years 2017/18 and 2018/19, the training of Councilors was overachieved by 30%.

Table 44 : Training Provided For 200 Learners:

Demographic	Male	Field of Study	Female
African	61	<ul style="list-style-type: none"> Environmental Practice(120) Road Construction(80) 	139
White			
Coloured			
Indian			
Total	61		

Table 45 : Training Provided For 102 Skill Program:

Demographic	Male	Field of Study	Female
African	43	<ul style="list-style-type: none"> Horticulture (25) Construction(22) Landscaping(20) Plumbing(20) Education and Environment Practice(15) 	59
White			
Coloured			
Indian			
Total	43		

TABLE 46 : TRAINING PROVIDED FOR 82 OFFICIALS:

Demographic	Male	Field of Study	Female
African	51	<ul style="list-style-type: none"> • Human Resource Development (HRD) Municipal Good Governance (01) • Municipal Infrastructure assets management Plan(01) • Municipal Governance(10) • Horticulture (20) • Municipal service deliver and Public Private partnership foundation(01) • Construction Regulations(02) • Public Sector Financial Management(04) • Active Directory Reporting Software(01) • Discipline in the municipality workplace(01) • Examiner of motor vehicle(01) • Generic disaster risk management assessment(01) • Integrated transport maintenance and fleet management(01) • Outcome based monitoring and evaluation implementation course(02) • South African institute of architectural technology(03) • Cloud and cyber security(02) • Human settlement consumer education and Batho-Pele change management(02) • Sage VIP basic training(08) • Human settlement spatial transformation and consolidation on priority development(04) • Waste management(03) • Consultative workshop(03) • Mun soft training (09) • Revenue master class(02) 	31
White	0		
Coloured	0		
Indian	0		
TOTAL		82	

A total number of **82** officials were trained during the year under review.

4.2.2.BURSARIES AND INTERNSHIP

Bursars who have qualified and received practical training are provided with an opportunity as young graduates to be able to participate in filling- in vacant positions, with females being 43, 75% of the bursars in the year under review which is less by 9.75% as compared to the previous financial year wherein females were 53.6%.

The Table below provides details of the demographic breakdown of the 16 bursars currently sponsored for full time study:

Table 47 : Bursaries For Full Time Study Per Population Group And Gender

Demographic	Male	Field of Study	Female
African	9	<ul style="list-style-type: none"> • Civil Engineering • Electrical Engineering • Bcom Accounting • IT • Built Environment 	7
White	0		0
Coloured	0		0
Indian	0		0
Total	9		7

Table 48 : Interns By Population Group And Gender

Demographic	Male	Area of Studies	Female
African	32	<ul style="list-style-type: none"> • Human resource management • Public management • Financial management • Marketing management • Tourism management • Business management • Office administration • Mechanical engineering • Civil engineering • Electrical engineering • Environmental science • Development studies • Information studies • Water and sanitation • Information technology • Psychology • And law 	49
White			
Coloured			
Indian			
Total	32		49

The number of internships at any given time is fairly stable, however, the numbers do fluctuate over quarters as the interns are on contract and these contracts expire on different dates. Females represented 60.5% of the interns, during the year under review..

Table 49. Capacity Building – Work Force

Skill Matrix								
Levels	Gender	Employees in post as at June 2019	Number of Skilled employees as of 30 June 2019					
			No	Skill program and other short courses		Other forms of Training		TOTAL
			Target	Actual	Target	Actual	Target	Actual
Legislators including traditional leaders	Males	50	8	23	8	6		29
	Females	35	8	27	8	4		31
MM and Directors	Males	5	1	2	1	1		03
	Females	1	1	None	1	1		01
Managers & Assistant Managers	Males	21	7	6	21	5		11
	Females	9	2	2	9	2		4
Professionals	Males	97	34	15	34	12		27
	Females	44	15	1	15	9		10
Administrators	Males	130	40	15	40	4		19
	Females	67	24	13	24	3		16
Elementary	Males	108	40	None	40	13		13
	Females	101	40	None	40	7		7
TOTAL		583	220	104	220	67		171

COMPONENT D: MANAGING MUNICIPAL WORKFORCE EXPENDITURE:

During the year under review, the salary bill of the Municipality was **R255 156 547.00**. This represented an increase of 0.48% as compared to the **R249 835 465.00** in the the previous financial year

The yearly increment of salary bill is due to annual increment and recruitment of new staff. The workforce expenditure of the Municipality was at 23% of the total Municipality budget which is less than the norm of 36% set out by the National Treasury.

Chapter 5

Financial Performance

CHAPTER 5: FINANCIAL PERFORMANCE

Sound financial management practices are essential to the long-term sustainability of the municipality. They underpin the process of democratic accountability. Weak or opaque financial management practices and reports result in misdirected and under-utilisation of resources. The key objective of the Municipal Finance Management Act (2003) (MFMA) is to modernise municipal financial management. The municipality had during the year under review, implemented financial management practices that seeks to effectively and efficiently manage municipality resources.

This chapter comprises Four components:

- Component A: Statement of Financial Performance
- Component B: Spending against Capital Budget
- Component C: Cash Flow Management and Investment
- Component D: Other Financial Matters

The municipal overall operating results achieved for the past financial year closed off with a loss of R5.35 million compared to a budgeted surplus of R 108.74 million as well the 2017/18 loss of R165 million, representing 95% improvement from previous financial year. Operating revenue for the year was R913.1 million (2018: R874.8 million), which reflects an increase of 4.4%. The operating expenditure for the year is R918.5 million (2018: R 1 034 million), which indicates a decrease of 11.2%.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R163.5 million. This includes R104.6 million from government grants, and R58.9 million from own cash resources.

Cash and cash equivalents increased by more than 100% to R91.835 million (2018: R19.026 million).

5.1.1. INTRODUCTION TO FINANCIAL PERFORMANCE

Operating revenue excluding capital grants and subsidies for the year was R807.3 million (2018: R733.5 million), which shows an increase of 10.1%. Included in the above figure are operating government grants to the amount of R321.1 million, which constitute 35.2% of total revenue as shown in the table below:

NAME OF GRANT	R
Equitable Share	316 259 000
Financial Management Grant	1 700 000
Municipal System Improvement Grant	1 055 000
Expanded Public Works	1 240 000
LGSETA	829 290
TOTAL	321 083 290

Service charges jointly comprise 37.8% of total revenue and increased by R50.3 million from 2018 (R 294.7 million) to R345.0 million in the reporting financial year. Electricity remains the largest source of income and contributes 68.6% to municipal revenue as compared to the 2017/18 contribution of 64.4%.

Property rates constitute 15.1% of municipal revenue and increased by 21.8% from R60 million in the previous financial year to R73 million in the 2018/19 financial year.

Interest received from investments has decreased from R9.3 million to R6.2 million, which can mainly be attributed to the decrease in investments.

The operating expenditure for the year was R918.5 million (2018: R1 034 million), which indicates a decrease of 11.2% from the previous financial year. This was mainly due to a decrease in Provision for doubtful debts of 65% from 2017/18 amount of R132 million to current amount of R46 million as well as Contracted Services which decreased by 26.9% to R138.2 million (2018: R 189.1 million).

The main expenditures were employee-related costs at R281.5 million (2018: 275.1 million) which increased by 2.3% from the previous year, bulk purchases at R235.3 million (2018: 212.7) which increased by 10% from the previous year, and Contracted Services at R138.2 million (2018: 189.1 million) which decreased by 27% from the previous year due to less RAL expenditure incurred in the current year.

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

The following represent the financial summary of the municipality as audited:

5.2.FINANCIAL SUMMARY OF THE MUNICIPALITY AS AUDITED

Table 52: Financial Summary

LIM344: Makhado Local Municipality

Description R thousands	2017/18	Current Year 2018/19				
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustment Budget %
Financial Performance						
Property rates	60 193	58 879	66 885	73 345	20%	9%
Service charges	294 729	357 186	339 414	345 006	-4%	2%
Investment revenue	9 339	3 963	51	6 061	35%	99%
Transfers recognised - operational	301 636	321 811	321 473	321 083	0%	0%
Other own revenue	67 575	38 539	115 513	61 797	38%	-87%
Total Revenue (excluding capital transfers and contributions)	733 471	780 378	843 336	807 292	3%	-4%
Employee costs	249 835	283 826	255 492	255 157	-11%	0%
Remuneration of councillors	25 307	11 135	27 775	26 316	58%	-6%
Depreciation & asset impairment	124 471	78 148	96 436	131 600	41%	27%
Finance charges	12 159	13 102	13 154	10 692	-23%	-23%
Debt impairment	132 237	40 904	48 262	46 868	13%	-3%
Materials and bulk purchases	212 654	154 909	236 639	235 313	34%	-1%
Contracted services	189 091	142 691	88 945	138 187	-3%	36%
Other expenditure	94 211	89 384	72 540	74 345	-20%	2%
Total Expenditure	1 039 966	814 099	839 243	918 478	11%	9%
Surplus/(Deficit)	(306 494)	(33 721)	4 093	(111 186)	-8%	104%
Transfers recognised - capital	141 372	104 645	104 645	105 833	-3%	1%
Contributions recognised - capital & contri	-	-	-	-	-	0%
Surplus/(Deficit) after capital transfers & contributions	(165 122)	70 924	108 738	(5 353)	-11%	105%
Share of surplus/ (deficit) of associate	-	-	-	-	0%	0%
Surplus/(Deficit) for the year	(165 122)	70 924	108 738	(5 353)	-11%	105%

5.2.1.FINANCIAL PERFORMANCE (REVENUE & EXPENDITURE BY MUNICIPAL VOTE)

Table 53. Financial Performance

LIM344 Makhado - Budget Statement - Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Adjusted Budget	Actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue by Vote								
Vote 1 - EXECUTIVE AND COUNCIL	499 852	392 866	373 799	363 085	373 799	(10 714)	-2.9%	373 799
Vote 2 - WASTE MANAGEMENT	-	11 792	9 338	11 369	9 338	2 031	21.7%	9 338
Vote 3 - ROAD TRANSPORT	14 764	87 732	14 990	8 531	14 990	(6 459)	-43.1%	14 990
Vote 4 - WATER	-	-	-	-	-	-	-	-
Vote 5 - ELECTRICITY	340 842	300 432	382 403	374 363	382 403	(8 040)	-2.1%	382 403
Vote 6 - CORPORATE SERVICES	-	1 219	1 219	1 219	1 219	(0)	0.0%	1 219
Vote 7 - PLANNING AND DEVELOPMENT	-	-	-	-	-	-	-	-
Vote 8 - COMMUNITY AND SOCIAL SERVICES	-	-	-	-	-	-	-	-
Vote 9 - HOUSING	19 282	-	-	-	-	-	-	-
Vote 10 - OTHER	-	-	-	-	-	-	-	-
Vote 11 - SPORTS AND RECREATION	-	-	-	-	-	-	-	-
Vote 12 - BUDGET AND TREASURY	-	75 982	66 877	71 424	66 877	4 547	6.8%	66 877
Vote 13 - [NAME OF VOTE 13]	-	15 000	99 355	83 134	99 355	(16 221)	-16.3%	99 355
Vote 14 - [Name of sub-vote]	104	-	-	-	-	-	-	-
Vote 15 - [Name of sub-vote]	-	-	-	-	-	-	-	-
Total Revenue by Vote	874 844	885 023	947 981	913 125	947 981	(34 856)	-3.7%	947 981
Expenditure by Vote								
Vote 1 - EXECUTIVE AND COUNCIL	816 220	293 167	380 416	380 416	380 416	-	-	380 416
Vote 2 - WASTE MANAGEMENT	25 673	-	-	-	-	-	-	-
Vote 3 - ROAD TRANSPORT	21 188	-	-	-	-	-	-	-
Vote 4 - WATER	-	-	-	-	-	-	-	-
Vote 5 - ELECTRICITY	176 885	155 303	209 725	294 619	209 725	84 894	40.5%	209 725
Vote 6 - CORPORATE SERVICES	-	-	-	-	-	-	-	-
Vote 7 - PLANNING AND DEVELOPMENT	-	-	-	-	-	-	-	-
Vote 8 - COMMUNITY AND SOCIAL SERVICES	-	-	-	-	-	-	-	-
Vote 9 - HOUSING	-	-	-	-	-	-	-	-
Vote 10 - OTHER	-	-	-	-	-	-	-	-
Vote 11 - SPORTS AND RECREATION	-	-	-	-	-	-	-	-
Vote 12 - BUDGET AND TREASURY	-	217 693	106 661	106 661	106 661	-	-	106 661
Vote 13 - [NAME OF VOTE 13]	-	147 936	142 441	136 782	142 441	(5 659)	-4.0%	142 441
Vote 14 - [Name of sub-vote]	-	-	-	-	-	-	-	-
Vote 15 - [Name of sub-vote]	-	-	-	-	-	-	-	-
Total Expenditure by Vote	1 039 966	814 099	839 243	918 478	839 243	79 235	9.4%	839 243
Surplus/ (Deficit) for the year	(165 122)	70 924	108 738	(5 354)	108 738	(114 092)	-104.9%	108 738

5.2.3.GOVERNMENT CAPITAL GRANTS

The municipality received and spent capital grants during the financial year, which normally have conditions attached. The following table shows the various capital grants receipt and spending per quarter:

Table 54: Capital Grants Received And Spent

GRANT DETAILS	AMOUNT RECEIVED & SPENT EACH QUARTER								
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	Total	
	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Expenditure	Receipt	Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
MIG	45 937	23 503	35 231	16 250	6 564	13 756	34 223	87 732	87 732
INEP	-	-	11 913	6 969	5 000	6 437	3 507	16 913	16 913

5.2.4.MUNICIPALITY APPROVED POLICIES

Over and above the direct requirements of different sections of the Local Government: Municipal Finance Management Act, 2003 and its Regulations, Council also adopted the following budget related policies in respect of the 2018/19 Financial Year and the contents of such policies arranged the operations in respect of the subjects related to each policy. The following are the policies:

Table 55: Budget Related Policies

COUNCIL APPROVED POLICIES	
Budget policy	Budget Virement
Uniform Credit Control &Debt Collection policy	Uniform Credit Control &Debt Collection by-law
Borrowing Policy	Expenditure Management Policy
Framework for Cash-flow Management Policy	Funding and Reserves Policy
Tariff and Free Basic Services Policy	Policy on Subsidy Scheme for Indigents
Investment of Funds Policy	Revenue Management Policy
Petty Cash Policy	Travel and Subsistence Policy
Principles of Writing-off of Irrecoverable Debt	Asset Management Policy
Property Rates Policy	Property Rates by-law
Supply Chain Management Policy	

5.2.5.THE ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

The municipality considers effective revenue management to be important for a financially sound institution. The municipality monitors its debt book on monthly basis through the MFMA section 71 reports and regular debtor's reconciliations. The indigent policy is in compliance with the government policy that makes provision for free basic services. This policy is further extended to the indigent and poor people of the municipality who are Unemployed, depending on government grant and some are child headed. The number of indigent households that benefited during the year from both Eskom and the municipality was 1 768 and 4 140 respectively and the total cost incurred was R 1 089 488.00. The brake down of the municipality indigents are as follows, Old age 2 663, below threshold 145, Child headed family 70, unemployed 1 184 and Disability 78.

In the year under review, the municipality has seen an increase in the debt book, especially with residential debtors. This increase in debt could be attributed to the lack of economic activity in the municipality and the unwillingness to pay for service in the Township.

As at the end of the financial year the debt book amounted to R 240 million. The debt has increased from R 204 million to 240 million. The increase in debtors during the financial year was R 36 million, representing an 18% increase from previous year. Below is the detail for the current financial year debt book per area,

AREA	201718 AMOUNT(R)	201819 AMOUNT(R)	%
Louis Trichardt	39.9 million	53.4 million	34
Dzanani	9.6 million	11.8 million	23
Vleifontein	13.6 million	17.3 million	27
Waterval	29.3 million	35.2 million	20
Tshikota	4.2 million	4.7 million	12
Farms	107.4 million	117.6 million	9
TOTAL	204 million	240 million	18

The municipality also established better communication with National and provincial government as a stakeholder through IGR forums, thus enabling a simplified manner of debt collection for government accounts. The collection rate from government departments averages 73% as at 30 June 2019.

The municipality still has room for improvement with regards to its collection rate. At the moment we have undertaken the exercise to replace conventional meters with prepaid meters. Debt consolidation for certain Eskom areas has been carried out and the municipality will receive R20 million outstanding debts for Valdezia supply point.

The municipality had an overall debt collection rate of 92% for the 2018/19 financial year.

5.2.6.ASSETS MANAGEMENT

Municipality has asset management policy that complies with all relevant legislative requirements and standards specified by the Accounting Standards Board.

The municipality has developed and maintained an asset register containing key financial data on each item of property, plant, or equipment that satisfies and complies with GRAP standards.

The municipality had non-current assets with a total cost of R2 697 262 954 as at 30 June 2019 as compared to the previous financial year balance of R2 659 998 961, which reflected 1% increase, this was due to capitalization during the year of R162 680 499 (2018: R119 081 309). The capitalization increased by 37% from the previous financial year.

Infrastructure assets constituted a greater portion of the total cost with an amount of R2 602 441 694, representing 81% of the total asset cost, followed by Community assets which stood at R76 844 484 being 3% of total assets value. Work in progress was R41 558 674 as at year- end representing 2% of total assets value.

The total carrying value of municipal assets was R1 579 721 774 split into immovable asset carrying value of R1 541 607 567 and movable asset carrying value of R38 114 207.

The municipal council approved the following disposals:

ASSET CLASS	COST (R)
Buildings	17 286 771
Infrastructure	11 190 395
Transport assets	20 394 652
Land	1 260 000
Machinery and equipment	3 361 301
Furniture and office equipment	396 261
Computer equipment	236 854
TOTAL	54 126 234

Treatment of the three largest assets acquired 2018/19

Table 56. Three Largest Assets

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2018/19				
Asset 1				
Name	Sereni Themba to Mashamba post office access road			
Description	Construction of access road between Sereni and Mashamba Villages			
Asset Type	Roads and Storm Water			
Key Staff Involved	PMU Manager and Director Technical Services			
Staff Responsibilities	Project Management and Service Provider Monitoring			
Cumulative Asset Value	2018/19	2017/18		
	31 746 437.02	28 416 690.98		
Capital Implications	Development of road Infrastructure and side bridge (Roads and Storm Water)			
Future Purpose of Asset	Provision of access road to Community and Control of Storm Water			
Describe Key Issues	Construction of road and associated storm-water control system			
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Waterval Sports Facility Phase 2			
Description	Construction of sports facility			
Asset Type	Recreational facility			
Key Staff Involved	PMU Manager and Director Technical Services			
Staff Responsibilities	Project management and Co-ordinating			
Cumulative Asset Value	2018/19	2017/18		
	7 571 938.78	-		
Capital Implications	Proper access and control of vehicles for on the upgraded road and storm-water			
Future Purpose of Asset	Provision of access road to Community and Control of Storm Water			
Describe Key Issues	Construction of road and associated storm-water control system			
Policies in Place to Manage Asset	Yes			
Asset 3				
Name	Tshikwarani; Manavhele; Zamekomste Access Road Phase 3			
Description	Construction of access road :Tshikwarani; Manavhele; Zamekomste			
Asset Type	Road and storm water			
Key Staff Involved	Director Technical Services and PMU Manager			
Staff Responsibilities	Project Management, Supervision and Monitoring of Service Provider			
Cumulative Asset Value	2018/19	2017/18		
	3 311 700.57	-		
Capital Implications	Infrastructure Development			
Future Purpose of Asset	Proper access and control of vehicles for on the upgraded road and storm-water			
Describe Key Issues	Construction of tarred road, storm water v-drains and culverts			
Policies in Place to Manage Asset	Yes			

FINANCIAL RATIOS BASED ON KEY FINANCIAL INDICATORS

RATIO	FORMULA	NORM/ RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	COMMENTS	
Asset Management/Utilisation						
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100	10% - 20%		15%	The capital expenditure incurred during the year was 15% of total expenditure. This is reasonable based on the maximum norm of 20%.
				Total Operating Expenditure	918 477 626	
				Taxation Expense	-	
				Total Capital Expenditure	163 487 680	
Debtors Management						
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	95%		92%	The municipality's collection rate is 92% for the year under review. Collection efforts should be intensified in order to recover outstanding debt amounts.
				Gross Debtors closing balance	241 903 348	
				Gross Debtors opening balance	211 740 446	
				Bad debts written Off	-	
				Billed Revenue	418 350 908	
Liquidity Management						
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	1 - 3 Months		1 Month	The municipality had the ability to cover operational costs with the available cash resources during the financial year.
				Cash and cash equivalents	90 981 079	
				Unspent Conditional Grants	3 473 128	
				Overdraft	-	
				Short Term Investments	854 099	
				Total Annual Operational Expenditure	918 477 626	
2	Current Ratio	Current Assets / Current Liabilities	1.5 - 2:1		1.23	Municipality was able to settle short term obligations due to the availability of current assets to cover payments to creditors. The ratio is favourable.
				Current Assets	291 665 552	
				Current Liabilities	237 602 394	

RATIO	FORMULA	NORM/ RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	COMMENTS	
Liability Management						
1	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	45%		0%	Municipality had no significant borrowings during the year under review. The outstanding obligation of R696 532 related to finance leases.
				Total Debt	696 532	
				Total Operating Revenue	913 124 953	
				Operational Conditional Grants	321 083 290	
Revenue Management						
1	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) x 100	= CPI		4%	Municipality achieved revenue increase of 4% from previous financial year. The growth was 1% short of the CPI norm of 5%. Despite the shortfall, the growth is in the right direction.
				CPI	5%	
				Total Revenue (Previous)	874 843 826	
				Total Revenue (Current)	913 124 953	
Expenditure Management						
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	30 days		30 days	The creditors payment period was 30 days during the year under review. Suppliers were paid in time in compliance with the legislative requirements.
				Trade Creditors	95 941 647	
				Contracted Services	76 279 817	
				Repairs and Maintenance	61 907 120	
				General expenses	649 978 069	
				Bulk Purchases	235 312 620	
				Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	163 487 680	
2	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	25% - 40%		31%	Employee costs was 31% of the total expenditure. The ratio is favourable.
				Employee/personnel related cost	255 156 547	
				Councillors Remuneration	26 316 164	
				Total Operating Expenditure	918 477 626	
				Taxation Expense	-	

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.3.SPENDING ON 5 LARGEST PROJECTS

The following represent the capital spending against the capital budget:

Table 57. Capital Expenditure Of 5 Largest Projects

Capital Expenditure of 5 largest projects*

R' 000

Name of Project	Current: Year 2018/19			Variance: Current Year 2018/19	
	Project Cost	Original Budget	Adjustment Budget	Actual Expenditure	Adjustment variance (%)
A - Sereni Themba to Mashamba post office access road	25 550 505	3 800 000	3 800 000	3 329 746	12%
B - Tshikwarani; Manavhele; Zamekomste Access Road	25 017 518	25 017 518	25 017 518	3 311 701	87%
C -Piesanghoek To Khunda Access Road Phase 3	12 636 769	8 482 240	9 151 330	9 151 330	0%
D - Electrification of Muanandzhele / Mavhungeni	12 500 000	9 750 000	12 406 303	12 406 303	0%
E -Waterval Sports Facility Phase 2	10 119 951	10 119 951	10 119 951	7 571 939	25%
Name of Project - A: Sereni Themba to Mashamba post office access road					
Objective of Project: To ensure easy access to public around municipality's nodal points					
Delays		None			
Future Challenges: Roads infrastructure costs rapidly increasing					
Anticipated citizen benefits: Easy and comfortable access to and from areas within municipal areas					
Name of Project - B: Tshikwarani; Manavhele; Zamekomste Access Road Phase 3					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Delays		None			
Future Challenges:None					
Anticipated citizen benefits: Easy and comfortable access to and from areas within municipal areas					
Name of Project - C: Piesanghoek To Khunda Access Road Phase 3					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Delays		None			
Future Challenges: Roads infrastructure costs rapidly increasing					
Anticipated citizen benefits: Easy and comfortable access to and from areas within municipal areas					
Name of Project - D: Electrification of Muanandzhele / Mavhungeni					
Objective of Project: To provide electricity to rural areas					
Delays		None			
Future Challenges: None					
Anticipated citizen benefits: Access to energy					
Name of Project - Waterval Sports Facility Phase 2					
Objective of Project: To ensure access to sports & recreational facilities.					
Delays		None			
Future Challenges: None					
Anticipated citizen benefits: Easy and comfortable access to sports and recreational facilities.					

Table 58. Capital Expenditure

Capital Expenditure - Funding Sources: Year 2017/18 to Year 2018/19						R' 000
Details	Year 2017/18	2018/19				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Actual to AB Variance (%)	
Source of finance						
Grants and subsidies	139 594	104 645	104 645	104 645	0.00%	
Internal	29 211	78 931	78 835	58 843	25.36%	
Total	168 805	183 576	183 480	163 488	10.90%	
Capital expenditure						
Electricity	44 026	59 925	43 180	43 180	0.00%	
Planning & development	240	11 200	6 100	1 603	73.72%	
Community & social services	1 493	16 341	1 860	1 845	0.81%	
Roads transport	118 959	90 210	105 461	95 862	9.10%	
Finance and Administration	4 088	5 900	26 879	20 998	21.88%	
Total	168 806	183 576	183 480	163 488	10.90%	
<i>Percentage of expenditure</i>						
Electricity	26.1%	32.6%	23.5%	26.4%	-12.23%	
Planning & development	0.1%	6.1%	3.3%	1.0%	70.51%	
Community & social services	0.9%	8.9%	1.0%	1.1%	-11.32%	
Roads transport	70.5%	49.1%	57.5%	58.6%	-2.01%	
Finance and Administration	2.4%	3.2%	14.6%	12.8%	12.33%	

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

5.4.CASH MANAGEMENT

Proper cash flow management is a critical element to ensure the municipality meets its obligations. A stable positive cash flow balance relative to the growth of the municipality is a good indication of the municipality financial position and health. Cash flow projections are done on a monthly basis, and cash not immediately required are invested for a better return on the short term.

During the financial year, the municipality had insignificant investments in FNB of R 854 099. These investments are mainly Call Deposits .

With regards to municipality borrowings, the municipality had no borrowings during the financial year ended 30 June 2019.

The municipality is leasing photocopier machines, whereby it is paying monthly instalment for the use of the machines. These transactions resulted in recognition of Finance Lease obligations in the books. As of the end of the financial year 30 June 2019, R 696 532 is outstanding.

The below table analyses the municipality borrowings made during the year and previous years.

Table 59: Borrowings

Actual Borrowings: Year -2016/17 to Year -2018/19			
	R' 000		
Instrument	2016/17	2017/18	2018/19
Municipality			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)	1 677	-	-
Local registered stock			
Instalment Credit			
Financial Leases	6 151	3 743	697
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	7 828	3 743	697

5.4.4.CASH AND CASH EQUIVALENTS

The below table shows the cash and cash equivalents of the municipality comparing the budgeted amounts vis-à-vis the actual cash flows.

Table 60: Statement Of Cash Flow

Statement of Cash flow				
				R'000
Description	2017/18	2018/19		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	43 021	-	-	49 376
Service charges	233 253	40 904	-	334 168
Grants	433 090	426 456	426 118	427 490
Other receipts	73 979	42 502	115 564	65 014
Payments				
Suppliers and employees	(740 813)	(722 851)	(722 941)	(637 062)
Finance charges	(606)	(13 102)	(13 154)	(67)
NET CASH FROM/(USED) OPERATING ACTIVITIES	41 925	(226 091)	(194 413)	238 918
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-	-	-	1 455
Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets	(119 684)	(185 681)	(183 460)	(163 488)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(119 684)	(185 681)	(183 460)	(162 033)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Finance lease payments	(4 866)	-	-	(4 077)
Repayment of borrowing	(1 677)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6 543)	-	-	(4 077)
NET INCREASE/ (DECREASE) IN CASH HELD	(84 302)	(411 772)	(377 873)	72 808
Cash/cash equivalents at the year begin:	103 329	-	-	19 027
Cash/cash equivalents at the year end:	19 027	(411 772)	(377 873)	91 835

5.4.5.COMMENT ON CASH FLOW

The cash flow from operating activities indicates a positive cash flow of R238.9 million. Further, R163 million was utilized on investment activities mainly to purchase property, plant, and equipment, whilst the disposal of land realized an amount of R1.455 million. The cash flow from financing activities indicates an outflow of R4.077 million, which is mainly attributable to the repayments on finance leases (photocopiers).

Considering the above movements, the net cash position at financial year-end is R91 million, which indicates an increase of more than 100% from the previous year. This is mainly due to correct application of cash management policy of the municipality.

COMPONENT D: OTHER FINANCIAL MATTERS

5.5.SUPPLY CHAIN AND EXPENDITURE MANAGEMENT

The Council has adopted a Supply Chain Management Policy and practices in compliance with the guidelines set out by the Supply Chain Management Regulations, 2005. The new Preferential Procurement Regulations, 2017, with effect from 01 April 2017, was incorporated in the policy and adopted.

The SCM Policy incorporating the above-mentioned regulations, as well as all other relevant pieces of legislation, regulations, and circulars are annually reviewed during the budget process.

The municipality has established the three (3) bid committee system. No councilors are members of any committee of the committees handling supply chain processes.

The supply chain officials are currently attending accredited training modules to meet the requirements of the minimum competency levels.

5.5.1.PROCUREMENT STATISTICS

The municipality had 218 successful bidders in the 2018/19 financial year. Of that number, 143 were male bidders representing 66%, while female were 45 in total representing 21% and 30 bidders of mixed gender (male and female) representing 13% of the total successful bidders.

An analysis based on age group showed that successful bidders who were among the youths were 79 in total, representing 36% and the remainder of 139 successful bidders were of the old age and represents 64% of the total successful bidders. There were no bidders with any disability **since no bidder indicated disability in their bids during the year under review.**

5.5.2.SUMMARY OF PROCUREMENT STATISTICS FOR THE YEAR 2018-2019

GENDER

MALE	FEMALE	MIXED(MALE AND FEMALE)	TOTAL
143	45	30	218
66%	21%	13%	100%

AGE

YOUTH	OTHER	TOTAL
79	139	218
36%	64%	100%

5.5.3.EXPENDITURE

The Municipal Finance Management Act, (Act 56 of 2003) read together with the Municipal Budget and Reporting Regulations, provides the legislative framework within which any expenditure related transactions must take place.

Section 11 of the Municipal Finance Management Act, (Act 56 of 2003) specifically provides the legislative framework for any withdrawals from any bank account in the name of Makhado Municipality.

The turnaround time for processing payments is 30 days and the municipality is complying with MFMA Section 65(e).

5.5.4.GRAP COMPLIANCE

The municipality prepared its annual financial statement in line with GRAP Standards. The objectives of GRAP are the following:

1. To ensure consistency in the accounting treatment of transactions and classification of account balances in municipalities
2. To enhance comparability between similar-sized municipal bodies on a national basis
3. To enable users of financial statements to make more accurate assessments of risks and returns.

5.5.5.MSCOA IMPLEMENTATION

The municipality migrated to MSCOA in July 2016 (2016/17 Financial Year) and there were no major challenges faced during implementation. Initially the municipality ran on version 5.4. Currently the municipality is running on version 6.3.

MSCOA System is a fully Integrated Financial Management System which is 100% South African, developed on the latest development trends and based on international open standards.

The municipality has fully complied with MSCOA regulations and started transacting live on the 01st of July 2016. This is the third year of transacting on MSCOA and the municipality has achieved a qualified audit opinion.

Budgeting is also being done on MSCOA which improves financial planning and reporting. Municipality is also complying on the Section 71 reporting using MSCOA

Chapter 6

Auditor-General Audit Findings

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

6.1. AUDITOR-GENERAL REPORTS PREVIOUS YEAR

Table 61. AG Report 2017/2018

Auditor-General Report on Financial Performance: 2017/18		
Audit Report Status*:		Qualified opinion
Financial Statement Area	Issues Raised	Status
Property plant and equipment	The municipality did not properly calculate the opening balance of property plant and equipment in the accounting records and financial statements. Evidence to support differences amounting to R77 569 158 (2016-17: R159 244 323) between the underlying records and recalculation performed could not be provided. Consequently, property, plant and equipment disclosed in note 8 to the financial statements was overstated by R77 569 158 (2016-17: R159 244 323) and accumulated depreciation was understated by the same amount. Additionally, there was a resultant impact on the on the accumulated surplus	Resolved
	The accounting records of the municipality did not in all instances contain adequate information to enable me to perform a physical verification of infrastructure assets. As a result, I was unable to physically verify infrastructure assets stated at R17 717 149 (2016-17: R226 412 235) in note 8 to the financial statements.	Resolved
	The municipality did not recognise items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. The municipality did not use the correct model to recognise assets amounting to R13 487 235 that were previously not recorded in the asset register. Consequently, I was not able to determine the impact on the net carrying amount of assets disclosed in note 8 to the financial statements, as it was impracticable to do so.	Resolved
Depreciation and amortisation	The municipality did not calculate depreciation as required by GRAP 17, Property, plant and equipment. Differences were identified between the underlying records and the recalculation performed. The effect on the financial statements was that property, plant and equipment included in note 8 to the financial statements was overstated by R28 309 229 and depreciation included in note 27 to the financial statements was understated by R28 309 229 respectively. Additionally, there was a resultant impact on the surplus for the period.	Resolved
Cash flow statement	The financial statements were materially misstatements due to material uncorrected misstatements in the following items disclosed in the cash flow statements <ul style="list-style-type: none"> • Net cashflow from operating activities were understated by R55 551 409 (2016-2017: R86 073 935) • Net cashflow from investing activities were overstated by R2 715 515 • Net cashflow from financing activities were overstated by R48 139 	Resolved

6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR

Auditor-General Report on Financial Performance: 2018/19

Table 62. AG Opinion 2018/2019

Audit Report Status*:	Qualified Opinion
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Table 63. Ag Findings 2018/2019

Financial Statement Area	Issues Raised	Remedial Action
Revenue	Incorrect billing on property rates.	The whole population of property rates for the 201819 will be investigated to establish the real impact of the under/over statement of property rates.



ANNEXURES A1

2018/19 Audit Report



ANNEXURES A2

2018/19 Annual Performance Report



ANNEXURES A3

2018/19 Audited Annual Financial Statement

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT																			
Integrated Development Planning	Good governance and administrative excellence	Reviewed 2018/19 IDP and approved 2018/19 - 2021 IDP by 31 May 2019	Approved 2017/18 - 2021/22 IDP	Reviewed 2018/19 IDP and approved 2019/20 IDP	Target Achieved	IDP 2018/19 reviewed and approved 2019/20 IDP	None	N/A	IDP Review	All Wards	Income (Own Funding)	Operational	0	01/07/2018	31/05/2019	Council resolutions, Final IDP, Invitations and IDP consultation attendance register	MM	Number	1
Performance Management	Good governance and administrative excellence	Approved 2019/2020 SDBIP by 30 June 2019	Approved 2018/2019 SDBIP	Approved 2019/2020 SDBIP	Target Achieved	Approved 2019/2020 SDBIP	None	N/A	SDBIP Development	All Wards	Income (Own Funding)	Operational	0	01/07/2018	30/06/2019	Approved 2019/20 SDBIP	MM	Number	2
Performance Management	Good governance and administrative excellence	Adjusted 2018/19 SDBIP by 25 January 2019	Adjusted 2017/18 SDBIP	Adjusted 2018/19 SDBIP	Target Achieved	Adjusted 2018/19 SDBIP	None	N/A	SDBIP Review	All Wards	Income (Own Funding)	Operational	0	31/12/2018	28/02/2019	Approved Adjusted 2018/19 SDBIP	MM	Number	3
Performance Management	Good governance and administrative excellence	Approved 2018/19 Mid-Year Report by 30 January 2019	Approved 2017/18 Mid-Year Report	Approved 2018/19 Mid-Year Report	Target Achieved	Approved 2018/19 Mid-Year Report	None	N/A	Mid-Year Report	All Wards	Income (Own Funding)	Operational	0	01/07/2018	30/01/2019	N/A	MM	Number	4
Performance Management	Good governance and administrative excellence	Approved 2017/18 Final Annual Report by 31 March 2019	Approved 2016/17 Annual Report	Approved Final 2017/18 Annual Report	Target Achieved	Approved Final Annual Report 2017/18	None	N/A	Annual Report	All Wards	Income (Own Funding)	Operational	0	01/07/2018	31/12/2018	Approved Final 2017/18 Annual Report	MM	Number	5
Human Resources and Organizational Development	Invest in human capital	Number of employees trained through WSP by 30 June 2019	126 employees trained in 2017/2018	One Hundred and Twenty (120) Employees Trained	Target not Achieved	Thirty two (32) Employees Trained	Delay in the appointment of a service provider	Service provider appointed in June 2019	Employees Training	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Attendance Registers	CORP	Number	6
		Number of councillors trained through WSP by 30 June 2019	16 Councillors trained during 2017/2018 financial year	Twenty (20) Councillors Trained	Target Achieved	Fifty (50) Councillors Trained	None	N/A	Councillors Training	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Attendance Registers	CORP	Number	7

ANNUAL PERFORMANCE REPORT 2018/19

BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Electricity Provision	Accessible basic and infrastructure services	Number of household electrified by 30 June 2019 at Songozwi Farm	New	41 Households electrified by 30 June 2019	Target Achieved	42 Households electrified	None	N/A	Electrification of households	Ward 21	INEP	682 000	490 189	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	8
Electricity Provision	Accessible basic and infrastructure services	Number of Mudimeli households electrified by 30 June 2019	New	95 Households electrified by 30 June 2019	Target Achieved	210 households electrified	None	N/A	Electrification of households	Ward 36	INEP	2 681 500	1 971 848	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	9
Electricity Provision	Accessible basic and infrastructure services	Number of Mashau Tshilaphala households electrified by 30 June 2019	New	72 Households electrified by 30 June 2019	Target Achieved	87 households electrified	None	N/A	Electrification of households	Ward 31	INEP	2 015 000	1 432 490	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	10
Electricity Provision	Accessible basic and infrastructure services	Number of Muananzhele/Mavhungeni households electrified by 30 June 2019	New	470 Households electrified by 30 June 2019	Target Achieved	700 households electrified	None	N/A	Electrification of households	Ward 20	INEP	9 750 000	12 406 303	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	11
Electricity Provision	Accessible basic and infrastructure services	Planned and Designed New Ribola Substation by 30 June 2019	New	Completed designs of Ribola Substation by 30 June 2019	Target not Achieved	Ribola Substation designs not completed	The project was cancelled (The Department of Energy disapproved the funding for the project)	None	Ribola Substation	Ward 15	INEP INCOME	2 000 000 500 000	0	01/07/2018	30/06/2019	Approved Designs	TECH	Number	12

ANNUAL PERFORMANCE REPORT 2018/19

Electricity Provision	Accessible basic and infrastructure services	Number of High-Mast Lights installed by 30 June 2019	0	Eight(08) High-Mast Lights	Target not Achieved	All of the eight (08) high mast lights commenced but not completed	Delay due to change of scope during adjustment	Approval of extension of time	High-Mast Lights	Muraleni, Maebane, Mavhunga(RDP), Rabali, Mpheni, Waterval, Ramukhuba and Tsianda	MIG Income (Own Funding)	843 640 2 000 000	843 640 1 604 558	01/07/2018	30/06/2019	Completion Certificates	TECH	Number	13
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ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Electricity Provision	Accessible basic and infrastructure services	Number of Households serviced with electricity postconnections by 30 June 2019	300 Households serviced with electricity post connections during 2017/18 financial year	250 Households	Target not Achieved	218 Households electrified	Only 218 postconnections identified and attended to	Realistic and practical setting of electricity post connections target.	Electricity Post-Connections	All Wards	Income (Own Funding)	5 000 000	5 173 364	01/07/2018	30/06/2019	Completion Certificates	TECH	Number	14
Electricity Provision	Accessible basic and infrastructure services	Installed MV Line at Songozwi by 30 June 2019	0	Installed MV Line	Target Achieved	MV Line Installation completed	None	None	MV Line	Ward 08	INEP	1 784 000	612 168	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	15
Sports Facilities	Accessible basic and infrastructure services	Conducted feasibility study for Kutama-Sinthumule Sports and Recreational facility by 30 June 2019	New	Approved Feasibility Study report for Kutama-Sinthumule Sports and Recreational facility	Target Achieved	Approved Feasibility Study report for Kutama-Sinthumule Sports and Recreational facility	None	None	Kutama-Sinthumule Sports and Recreational facility	Ward 24	MIG	700 000	693 299	01/07/2018	30/06/2019	Feasibility Study report	TECH	Number	16
Sports Facilities	Accessible basic and infrastructure services	Constructed Waterval Sports facility (Phase 2) by 30 June 2019	Waterval Sports Facility (Phase 1)	Completed Waterval Sports facility (Phase 2)	Target not Achieved	Waterval Sports facility not completed	Delay by the service provider	Approval of extension of time	Waterval Sports Facility	Ward 16	MIG	12 000 000	8 707 729	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	17
Waste Management	Promote community and environmental welfare	Constructed Makhado Landfill-site additional cell by 30 June 2019	Makhado Old Landfill-site	Additional waste cell completed	Target not Achieved	Additional waste cell not completed	Delay due to weather conditions	Approval of extension of time	Waste Management	Ward 08	Income (Own Funding)	1 565 622,00	1 565 622,00	01/07/2018	30/06/2019	Completion Certificate	TECH	Number	18

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Waste Management	Promote community and environmental welfare	Number of households in urban areas with access to refuse removal by 30 June 2019	9889 Households	9889 Households	Target Achieved	9889 Households	None	N/A	Waste Management	Ward 7, 8, 10,16, 20	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Signed Waste Collection Reports	COMM	Number	19
Waste Management	Promote community and environmental welfare	Number of households with access to refuse removal in rural areas by 30 June 2019	6263 Households	6889 Households	Target Achieved	7552 Households	None	N/A	Waste Management	All Wards (Rural Areas within Makhado)	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Signed Collection slips	COMM	Number	20
Free Basic Services Access	Accessible basic and infrastructure services	Number of Households earning less than R1100 per month with access to free electricity by 30 June 2019	5913 Households earning less than R1100 per month with access to free electricity	5913 Households earning less than R1100 per month with access to free basic services in Makhado Municipality licenced areas	Target not achieved	1451 Households earning less than R1100 per month with access to free basic services in Makhado Municipality licenced areas	Overestimation of the annual target.	Realistic estimation of the annual and quarterly target in 19/20 SDBIP	Free Basic Services	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Updated Indigent Register	B&T	Number	21
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/ Surfaced Sereni Themba to Mashamba Post Office Access Road by 30 June 2019	Sereni Themba to Mashamba Post Office Access Road(Phase 2)	Four(4) kilometers of Sereni Themba to Mashamba Post Office Access Road(Phase 3) completed	Target Achieved	Four(4) kilometers of Sereni Themba to Mashamba Post Office Access Road(Phase 3) completed	None	N/A	Sereni Themba to Mashamba Post Office Access Road(Phase 3)	Ward 11	MIG	3 800 000	3 329 746	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometres	22
Roads, Bridges and Storm Water	Accessible basic and infrastructure services	Constructed/ Surfaced Tshikwarani, Manavhela, Zamekomste Access Road (Phase 2) by 30 June 2019	Tshikwarani, Manavhela, Zamekomste Access Road (Phase 1)	Three (3) kilometers of Tshikwarani, Manavhela, Zamekomste Access Road completed	Target Achieved	Three (3) kilometers of Tshikwarani, Manavhela, Zamekomste Access Road completed	None	N/A	Tshikwarani, Manavhela, Zamekomste Access Road (Phase 2)	Ward 25	MIG	12 930 233	12 930 233	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometres	23
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/ Surfaced Tshikwarani, Manavhela, Zamekomste Access Road (Phase 3) by 30 June 2019	Tshikwarani, Manavhela, Zamekomste Access Road (Phase 2)	40% completion of the 4.5 kilometres Tshikwarani, Manavhela, Zamekomste Access Road	Target not Achieved	9.9 % completion of the 4.5 kilometres Tshikwarani, Manavhela, Zamekomste Access Road	Poor performance of the contractor on site	Approval of extension of time	Tshikwarani, Manavhela, Zamekomste Access Road (Phase 3)	Ward 25 and 26	MIG	8 938 274	7 750 727	01/01/2019	30/06/2019	Monthly MIG Reports	TECH	Kilometres	24

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Conducted Feasibility Study for Waterval Stormwater by 30 June 2019	New	Approved feasibility study report for Waterval Stormwater	Target achieved	Approved feasibility study report for Waterval Stormwater	None	N/A	Waterval Stormwater	Ward 16	Income (Own Funding)	700 000	628 996	01/07/2018	30/06/2019	Feasibility Study Report	TECH	Number	25
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/Surfaced Tshedza to Vuvha Access Road (Phase 2) by 30 June 2019	Tshedza to Vuvha Access Road (Phase 1)	1 kilometer of Tshedza to Vuvha Access Road (Phase 2) completed	Target Achieved	1 kilometer of Tshedza to Vuvha Access Road (Phase 2) completed	None	N/A	Tshedza to Vuvha Access Road (Phase 2)	Ward 30	MIG	4 100 000	4 142 917	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometres	26
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Appointment of a Service provider and approved designs for Tshedza to Vuvha Access Road (Phase 3) by 30 June 2019	Tshedza to Vuvha Access Road (Phase 2)	Approved Designs and Appointed Service Provider for 6 kilometres Tshedza to Vuvha Access Road (Phase 3)	Target Achieved	Approved Designs and Appointed Service Provider for 6 kilometres Tshedza to Vuvha Access Road (Phase 3) done	None	N/A	Tshedza to Vuvha Access Road (Phase 3)	Ward 30	MIG	1 672 990	1 672 990	01/01/2019	30/06/2019	Approved designs and appointment letter	TECH	Number	27
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/Surfaced Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2) by 30 June 2019	Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 1)	1.2 kilometres of Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2) completed	Target Achieved	1 kilometre of Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2) completed	There was a typo in capturing of a target. The target should have read 1 Kilometre of Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2) completed	N/A	Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2)	Ward 01, 12, 18	MIG	10 943 062	10 826 054	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometre	28

ANNUAL PERFORMANCE REPORT 2018/19

Roads, Bridges and Storm water	Accessible basic and infrastructure services	Appointment of a Service provider and Designs for Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 3) by 30 June 2019	Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 2)	Appointed Service provider and Designs for the 2.5 kilometres Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 3)	Target not achieved	Appointment of Service Provider and Designs for the 2.5 kilometres Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 3) not done	Delay in procurement processes	Appointment to be done within 90 days tender validity period	Mbokota, Gombita, Tshivhuyuni to Mphagi Access Road (Phase 3)	Ward 01, 12, 18	MIG	1 219 468	1 219 468	01/01/2019	30/06/2019	Completed designs and appointment letter	TECH	Number	29
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/Surfaced Valdezia Access Road (Phase 2) by 30 June 2019	Valdezia Access Road (Phase 1)	Completed Two (2) kilometres of Valdezia Access Road (Phase 2)	Target not achieved	Two (2) kilometres of Valdezia Access Road (Phase 2) not completed	Delay due to change in project scope	Approval for change of scope and extension of time	Valdezia Access Road (Phase 2)	Ward 31	MIG	8 285 690	11 991 024	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometres	30

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed Mudimeli Bridge and Surfaced Access Road (Phase 2) by 30 June 2019	Mudimeli Bridge and Access Road (Phase 1)	Completed Mudimeli Bridge and 2 kilometers of Access Road (Phase 2)	Target achieved	Completed Mudimeli Bridge and 2 kilometers of Access Road (Phase 2)	None	None	Mudimeli Bridge and Access Road (Phase 2)	Ward 36	MIG	5 872 519	5 872 519	01/07/2018	30/06/2019	Completion Certificates	TECH	Kilometres	31
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed Mudimeli Bridge and Surfaced Access Road (Phase 3) by 30 June 2019	Mudimeli Bridge and Access Road (Phase 2)	35% Completion of the 1.3 kilometres Mudimeli Bridge and Access Road (Phase 3)	Target achieved	72% Road Completion of the 1.3 kilometres Mudimeli Bridge and Access Road (Phase 3)	None	N/A	Mudimeli Bridge and Access Road (Phase 3)	Ward 36	MIG	6 965 519	6 877 648	01/01/2019	30/06/2019	Monthly MIG Reports	TECH	Percentage	32
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Conducted Feasibility Study for Lutanwanda Bridge by 30 June 2019	New	Completed Feasibility Study Report for Lutanwanda Bridge	Target Achieved	Completed Feasibility Study Report for Lutanwanda Bridge	N/A	None	Lutanwanda Bridge	Ward 28	Income (Own Funding)	700 000	633 497	01/07/2018	30/06/2019	Feasibility Study Report	TECH	Number	33
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/Surfaced Piesanghoek to Khunda Road (Phase 4) by 30 June 2019	Piesanghoek to Khunda Road (Phase 3)	Two (2) kilometres of Piesanghoek to Khunda Road (Phase 4) completed	Target not Achieved	Two (2) kilometres Piesanghoek to Khunda Road (Phase 4) not completed	Delay by the service provider	Approval of extension of time	Piesanghoek to Khunda Road (Phase 4)	Ward 09	MIG	8 482 240	8 151 329	01/07/2018	30/06/2019	Completion Certificate	TECH	Kilometres	34
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Constructed/Surfaced Chavani to Bungeni Road (Phase 2) by 30 June 2019	Chavani to Bungeni Road (Phase 1)	3.5 kilometres of Chavani to Bungeni Road (Phase 2) completed	Target not Achieved	3.5 kilometres of Chavani to Bungeni Road (Phase 2) not completed	Delay in procurement processes	Appointment to be done within 90 days tender validity period	Chavani to Bungeni Road (Phase 2)	Ward 13 and 14	Income (Own Funding)	3 400 000	2 568 066	01/07/2018	30/06/2019	Completion Certificate	TECH	Kilometres	35
Parks and Recreation	Promote community and environmental welfare	Developed Dzanani Park by 30 June 2019	New	Completed Dzanani Park	Target not achieved	Dzanani Park not completed	Delay in the appointment of a service provider	Project to be completed during 2019/20 financial year	Dzanani Park	Ward 10	Income (Own Funding)	500 000	0	01/07/2018	30/06/2019	Specifications, Adverts, appointment letters and completion certificate	COMM	Number	36

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Parks and Recreation	Promote community and environmental welfare	Procured Access Control System by 30 June 2019 (Phase 1)	New	Access Control System (Phase 1)	Target not Achieved	Access Control System not done	Tender withdrawn due to review of the specification by the end-user department	Tender to be re-advertised during 2019/20 financial year	Access Control System	Ward 08	Income (Own Funding)	1 500 000	0	01/07/2018	30/06/2019	Specifications, Adverts and Invoices	COMM	Number	37
Waste Management	Promote community and environmental welfare	Procured Skip Bins by 30 June 2019	New	20 Skip Bins	Target Achieved	25 Skip Bins procured	None	N/A	Skip Bins	All Wards	Income (Own Funding)	512 500	512 500	01/07/2018	31/12/2018	Specifications, Adverts and Invoices	COMM	Number	38
Parks and Recreation	Promote community and environmental welfare	Procured Cemetry Management System by 30 June 2019	New	Procured Cemetry Management System	Target Achieved	Procured Cemetry Management System	None	N/A	Cemetry Management System	Ward 08	Income (Own Funding)	1 000 000	679 000	01/07/2018	30/06/2019	Specifications, Adverts and Invoices	COMM	Number	39
MUNICIPAL FINANCIAL MANAGEMENT AND VIABILITY																			
Financial Statements	Sound Financial Management and viability	Audit opinion for the year under review by 30 November 2018	Adverse audit opinion (2016/17)	Qualified Audit Opinion on previous financial year (2017/18)	Target Achieved	Qualified Audit Opinion on previous financial year (2017/18)	None	N/A	Audit Opinion	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	AG Report and Management Letter	B&T	Number	40
Financial Statements	Sound Financial Management and viability	Prepared Interim Financial Statement (FS) by 15 April 2019	New	Developed and Submitted 2018/19 Interim Financial Statement by 15 April 2019	Target Achieved	Developed and Submitted 2018/19 Interim Financial Statement by 15 April 2019	None	N/A	Interim Financial Statements	All Wards	Income (Own Funding)	Operational		01/01/2019	31/03/2019	2018/19 Interim Financial Statements	B&T	Number	41
Financial Statements	Sound Financial Management and viability	Prepared and Submitted Annual FS for 2017/18 Financial Year by 31 August 2018	Developed and submitted 2016/17 AFS	Developed and submitted 2017/18 AFS by 31 August 2018	Target Achieved	2017/18 AFS developed and submitted by 31 August 2018	None	N/A	Annual Financial Statements	All Wards	Income (Own Funding)	Operational		01/07/2018	31/08/2018	Annual Financial Statements	B&T	Number	42

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Expenditure management	Sound Financial Management and viability	Percentage Expenditure on MIG by 30 June 2019	100% 2017/18 MIG spent	100% MIG Expenditure	Target Achieved	100% MIG spent	None	N/A	MIG	All Wards	MIG	87 732 000,00	87 732 000,00	01/07/2018	30/06/2019	Section 71 and Quarterly Financial Reports	TECH	Percentage	43
Expenditure management	Sound Financial Management and viability	Percentage Expenditure on INEP Grant by 30 June 2019	100% 2017/18 INEP Spent	100% INEP Expenditure	Target Achieved	100% INEP Expenditure	None	N/A	INEP	All Wards	INEP	16 913 000,00	16 913 000,00	01/07/2018	30/06/2019	Section 71 and Quarterly Financial Reports	TECH	Percentage	44
Budget and Reporting	Sound financial management and viability	Approved 2019/20 budget by 31 May 2019	Approved 2018/19 Budget	Approved 2019/20 budget by 31 May 2019	Target Achieved	2019/20 budget approved on the 31 May 2019	None	N/A	Approved Budget	All Wards	Income (Own Funding)	Operational		01/07/2018	31/05/2019	Approved budget and Council Resolution	B&T	Number	45
Budget and Reporting	Sound financial management and viability	Number of section 71 reports submitted to Treasury within 10 days after the end of the month by 30 June 2019	12 Reports Submitted during 2017/18	12 Reports submitted during 2018/19	Target Achieved	12 Reports submitted during 2018/19	None	N/A	Section 71 Reports	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Copy of acknowledgment of receipt by Treasury and COGHSTA	B&T	Number	46
Expenditure management	Sound Financial Management and viability	Percentage Expenditure of Financial Management Grant by 30 June 2019	100% of 2017/18 Financial Management Grant Spent	100% of 2018/19 Financial Management Grant spent	Target Achieved	100% of 2018/19 Financial Management Grant spent	None	N/A	FMG Expenditure	All Wards	FMG Funding	1 700 000,00	1 700 000,00	01/07/2018	30/06/2019	Approved and Submitted Expenditure Report	B&T	Percentage	47
Expenditure management	Sound Financial Management and viability	Percentage Expenditure of Municipal Systems Improvement Grant by 30 June 2019	New	100% of 2018/19 Municipal Systems Improvement Grant spent	Target Achieved	100% of 2018/19 Municipal Systems Improvement Grant spent	None	N/A	Municipal Systems Improvement Grant	All Wards	MSIG	1 055 000	1 055 000	01/04/2019	30/06/2019	Expenditure and Revenue Reports	B&T	Percentage	48
Expenditure management	Sound Financial Management and viability	Percentage of Commercial Electricity loss by 30 June 2019	New	10% of Commercial Electricity loss (As per NERSA requirement)	Target not achieved	13% of Commercial Electricity loss	Illegal connections	Disconnections and fines imposed to transgressors	Electricity Loss	All Wards	Income (Own Funding)	Operational	30 081 138,00	01/07/2018	30/06/2019	Monthly Expenditure and Revenue Reports	B&T	Percentage	49
Supply Chain Management	Sound financial management and viability	Percentage of Tenders processed within 90 days by 30 June 2019 (From closing date in the advert)	New	95% of Tenders Processed within 90 Days	Target not achieved	63% of Tenders Processed within 90 Days	Infrequent bid committee meetings	Adherence to procurement plans	Tender Processing	All Wards	Income (Own Funding)	Operational	-	01/07/2018	30/06/2019	Advertisements and Appointment letters	B&T	Percentage	50

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Supply Chain Management	Sound financial management and viability	Percentage of Invoices Paid within 30 days of receipt by 30 June 2019	New	100% of Invoices paid within 30 days of receipt	Target not Achieved	97 % of Invoices paid within 30 days of receipt	Delay in the submission of invoices by end user departments	Centralisation of invoice submission (Invoice box)	Invoices Payment	All wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Monthly Expenditure Reports	B&T	Percentage	51
Revenue Management	Sound financial management and viability	Percentage of Billed revenue collected per month during 2018/19 Financial Year	90% of Revenue Collected during 2017/18	90% of Revenue Collected	Target Achieved	92% of Revenue Collected	None	None	Revenue Collection	All Wards	Income (Own Funding)	Operational	383 702 955,00	01/07/2018	30/06/2019	Billing versus Actual payment Reports (Sect 71)	B&T	Percentage	52
LOCAL ECONOMIC DEVELOPMENT																			
Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Local Economic Development	Invest in local economy	Number of LED projects supported by 30 June 2019	Five(04) Projects Supported during 2017/18 Financial Year	Six (06) Projects Supported by 30 June 2019	Target not Achieved	Four (04) Projects Supported by 30 June 2019	Goods were not delivered as per the SLA	Ensure that goods are delivered timeously as per the SLA	LED Projects	All Wards	Income (Own Funding)	Operational	575 314,60	01/07/2018	30/06/2019	Service Level Agreements (SLA)	DEVP	Number	53
Local Economic Development	Invest in local economy	Development of Dzanani Traders Market by 30 June 2019	New	Approved designs for Dzanani Traders Market	Target Achieved	Approved designs for Dzanani Traders Market	None	N/A	Traders Market	Ward 10	Income (Own Funding)	500 000,00	475 189,06	01/07/2018	31/06/2019	Approved Market Designs	DEVP	Number	54
Local Economic Development	Invest in local economy	Upgraded Tshakhuma Fruit Market by 30 June 2019	Old Tshakhuma Fruit Market	Upgraded Fruit Market	Target not Achieved	Tshakhuma Fruit Market not Upgraded	Relocation of Eskom power-lines	Letters and payments for relocations made to Eskom	Fruit Market	Ward 29	Income (Own Funding)	2 400 000,00	1 039 184,77	01/07/2018	01/07/2019	Completion Certificate	DEVP	Number	55
Local Economic Development	Invest in local economy	Designed N1/Tourism Park by 30 June 2019	New	Completed N1/Tourism Park Designs	Target Achieved	Completed N1/Tourism Park Designs	None	N/A	Tourism Park	Ward 08	Income (Own Funding)	300 000,00	299 557,75	01/07/2018	01/07/2019	Approved Designs	DEVP	Number	56

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Local Economic Development	Invest in local economy	Developed Incubation Centre at Rathdili by 30 June 2019	New	Approved Incubation Centre designs	Target Achieved	Approved Incubation Centre designs	None	N/A	Incubation Centre	Ward 06	Income/ Own Funding	500 000,00	303 864,50	01/07/2018	01/07/2019	Approved Designs	DEVP	Number	57
Local Economic Development	Invest in local economy	Conducted feasibility study for ERF 210 Burge Street market stalls by 30 June 2019	New	Completed feasibility study for ERF 210 Burge Street market stalls	Target Achieved	Completed feasibility study for ERF 210 Burge Street market stalls	None	N/A	Market Stalls	Ward 08	Income (Own Funding)	700 000,00	697 838,00	01/07/2018	01/07/2019	Feasibility Study Report	TECH	Number	58
Local Economic Development	Invest in local economy	Number of job opportunities created by 30 June 2019	968 Job opportunities created during 2017/18 Financial Year	850 job opportunities created	Target Achieved	896 Job opportunities created	None	N/A	Employment Opportunities	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	EPWP, CWP, and Community Projects employment register	DEVP	Number	59

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Risk Management	Good governance and Administrative Excellence	Reviewed and Development of Strategic and Operational Risk Assessment Register by 30 June 2019	Reviewed and Developed 2018/19 Strategic and Operational Risk Assessment Register	Reviewed and Developed 2019/20 Strategic and Operational Risk Assessment Register	Target achieved	2019/20 Strategic and Operational Risk Assessment Register reviewed and developed	None	N/A	Strategic and Operational Risk Register	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Approved Strategic and Operational risk register	MM	Number	60
Risk Management	Good governance and Administrative Excellence	Coordinate risk management activities by 30 June 2019	Eight(08) Risk Management activities coordinated	Thirteen (13) Risk Management activities coordinated	Target achieved	Thirteen (13) Risk Management activities coordinated	None	N/A	Risk Management	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Risk Management Reports	MM	Number	61
Risk Management	Good governance and Administrative Excellence	Coordinate risk management activities by 30 June 2019	100% of Fraud and Anti-Corruption cases attended	100% of Fraud and Anti-Corruption cases attended	Target achieved	100% of Fraud and Anti-Corruption cases attended	None	N/A	Fraud and Anti Corruption	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Investigation Reports	MM	Number	62

ANNUAL PERFORMANCE REPORT 2018/19

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2017/18)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to improve/proposed intervention	Project Name	Location	Funding Source	Budget 18/19	Expenditure	Start Date	End Date	Portfolio Of Evidence	Dept	Unit Measure	ID No.
Internal Audit	Good governance and Administrative Excellence	Percentage Resolution of Internal Audit findings by 30 June 2019	New	Resolved 90% of Internal Audit Findings	Target not achieved	62 % of Internal Audit Findings resolved	Delay in the implementation of Internal Audit findings/recommendations	Internal Audit findings to be a standing item in departmental meetings	Internal Audit Findings	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Internal Audit Reports	MM	Percentage	63
Internal Audit	Good governance and Administrative Excellence	Percentage implementation of approved Internal Audit Plan by 30 June 2019	100%	100% of Internal Audit Plan Implemented	Target achieved	100% of Internal Audit Plan Implemented	None	N/A	Internal Audit Plan	All Wards	Income (Own Funding)	Operational		01/07/2018	30/06/2019	Internal Audit Plan	MM	Percentage	64
Internal Audit	Good governance and Administrative Excellence	Developed and approved three(03) year internal Audit rolling plan by 30 June 2019	New	Approved three(03) year internal Audit rolling plan	Target achieved	Three(03) year internal Audit rolling plan approved	None	N/A	Internal Audit rolling plan	All Wards	Income (Own Funding)	Operational		01/01/2019	30/06/2019	Internal audit rolling plan	MM	Number	65
Information Technology	Good governance and Administrative Excellence	Number of completed IT projects implemented by 30 June 2019	08 IT Projects Implemented during in 2017/18 Financial Year	Completed 09 (Nine) Information Technology Projects	Target not achieved	04 (Four) Information Technology Projects completed	Delay in procurement processes	Adherence to procurement plans	IT Projects	All Wards	Income (Own Funding)	2 814 350,00		30/06/2019	30/06/2019	Appointment letters and Close-out report	CORP	Number	66
Council Services	Good governance and Administrative Excellence	Percentage Implementation of Council Resolutions by 30 June 2019	New	80% of Council Resolution Implemented	Target achieved	85.19% of Council Resolution Implemented	None	N/A	Council Resolutions	All Wards	Income (Own Funding)	Operational	0	01/07/2018	30/06/2019	Resolution Register	CORP	Percentage	67
Council Services	Good governance and Administrative Excellence	Number of Council meetings convened by 30 June 2019	Four(4) Council Meetings held in 2017/18 Financial Year	Four (4) Council Meetings	Target achieved	Four (4) Council Meetings	None	N/A	Council Meetings	All Wards	Income (Own Funding)	Operational	0	01/07/2018	30/06/2019	Minutes, Attendance register, notice of invitations.	CORP	Number	68
Public Participation	Good governance and Administrative Excellence	Number of Imbizos convened by 30 June 2019	Four(4) Imbizos held during 2017/18 Financial Year	Four (4) Imbizos	Target Achieved	Four(4) Imbizos held during 2018/19 Financial Year	None	N/A	Public Participation	All Wards	Income (Own Funding)	Operational	0	01/07/2018	30/06/2019	Invitations, Attendance Registers	CORP	Number	69

Report of the auditor-general to the provincial legislature and the council on Makhado Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Makhado Local Municipality set out on pages xx to xx, which comprise statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Makhado Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the 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 (Act No. 01 of 2018) (Dora).

Basis for qualified opinion

Revenue from non-exchange transactions

3. The municipality did not recognise revenue from non-exchange transactions in accordance with GRAP 23, *Revenue from non-exchange transactions*. I identified properties from the municipality's valuation roll that were not correctly billed during the financial year, resulting in an overstatement of revenue from property rates. Consequently, revenue from property rates in note 22 to the annual financial statements stated at R73 345 242 was overstated by R10 218 627. There had a consequential impact on consumer debtors from non-exchange transactions in note 5 to the financial statements stated at R21 326 491 and the deficit for the period.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
5. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Material impairments

8. As disclosed in note 29 to the financial statements, material losses of R46 868 105 were incurred as a result of an impairment of irrecoverable debtors.

Material losses – electricity

9. As disclosed in note 40 to the financial statements, material electricity losses of R39 970 411 (2018: R20 661 114) were incurred, which represents 14,49% (2018: 9,4%) of the total electricity purchased.

Restatement of corresponding figures

10. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2018 have been restated as a result of an error discovered in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Other matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-general's responsibilities for the audit of the financial statements

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

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

Report on the audit of the annual performance report

Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2019:

Development priorities	Pages in the annual performance report
Development priority 2: Basic service delivery and infrastructure development	x – x
Development priority 4: Local economic development	x – x

21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

Development priority 2: Basic service delivery and infrastructure development

Performance indicators and targets not verifiable and not reliable

Number of households with access to refuse removal in rural areas by 30 June 2019

23. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of the target 6 889 households. This was due to a lack of proper performance management systems and processes and formal standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of the reported achievements listed below as reported in the annual performance report.

No evidence was provided for the measures reported to improve performance

Number of Households earning less than R1100 per month with access to free electricity by 30 June 2019

24. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against target of 4 353 households as reported in the annual performance report. This was due to inappropriate measures disclosed in the annual performance report that could not be supported. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

Various indicators

25. The municipality did not have an adequate record keeping system to enable reliable reporting on achievement of the indicators listed below. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances, while in other cases the supporting evidence provided did not agree to the reported achievements. Based on the supporting evidence that was provided, the achievement of these indicators was different to the reported achievement in the annual performance report. I was also unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators listed below.

Indicator description	Reported achievement	Audited value
Number of households electrified by 30 June 2019 at Songozwi Farm	42 Households electrified	48 Households electrified

Number of Mudimeli households electrified by 30 June 2019	210 Households electrified	225 Households electrified
Number of Households serviced with electricity postconnections by 30 June 2019	218 Households electrified	307 Households electrified
Number of Muananzhele/Mavhungeni households electrified by 30 June 2019	700 Households electrified	1050 Households electrified
Number of Mashau Tshilaphala households electrified by 30 June 2019	88 Households electrified	87 Households electrified

Reported indicator did not agree with the evidence provided

Number of households earning less than R1 100 per month with access to free electricity by 30 June 2019.

26. The achievement for 5 913 households earning less than R1 100 per month with access to free basic services in Makhado Local Municipality licensed areas reported in the annual performance report was 4 353. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 1 451.

Development priority 4: Local economic development

Various indicators

27. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
Number of LED projects supported by 30 June 2019	Six (06) projects supported by 30 June 2019	Two (02) projects supported by 30 June 2019

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 26 of this report.

Adjustment of material misstatements

30. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery and infrastructure development and local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements, annual performance report and annual report

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.
34. Material misstatements of non-current assets, current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Strategic planning and performance management

35. The performance management system and related controls were inadequate as it did not describe how the performance monitoring, measurement, review and reporting processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Expenditure management

36. Reasonable steps were not taken to prevent irregular expenditure amounting to R14 204 502 as disclosed in note 41 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the irregular was caused by non-compliance with applicable legislation relating to bid and evaluation committees not being properly constituted.
37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R84 406 344 as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the unauthorised expenditure was caused by inappropriate budgeting of cash items during the financial year.

Procurement and contract management

38. Some quotations were accepted from bidders who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by supply chain management (SCM) regulation 13(c).

Consequences management

39. Appropriate action was not taken against officials of the municipality where investigations proved financial misconduct, as required by section 171(4)(b) of the MFMA and municipal regulation 6(6) relating to financial misconduct procedures and criminal proceedings.

Revenue management

40. An effective system of internal control for debtors/revenue was not in place as required by section 64(2)(f) of the MFMA.
41. Revenue due to the municipality was not calculated on a monthly basis as required by section 64(2)(b) of the MFMA.

Other information

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

Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the

findings on the annual performance report and the findings on compliance with legislation included in this report.

47. The internal policies and procedures of the municipality did not adequately address the processes pertaining to the planning, monitoring, managing and reporting of performance information at an overall performance management level or a development priority level.
48. Management did not implement the following daily and monthly controls designed for the municipality's business processes:
49. Monthly revenue/debtors reconciliations were not properly prepared and reviewed. This resulted in the billing errors in the financial system experienced by the municipality during the financial year.
50. The financial statements contained numerous misstatements, some of which were corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework and insufficient reviews performed on the financial statements.
51. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored. The municipality did not take reasonable steps to prevent irregular and unauthorised expenditure.

Auditor General

Polokwane

30 November 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may

reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2019

Auditor-General of South Africa
Chartered Accountants (S.A.)
Registered Auditors

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution of the Republic of South Africa.
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Executive Committee	Cllr T.P Mamrobela Cllr N.D Davhana Cllr T.J Mamafha Cllr T.D Ratshikuni Cllr S Masuka Cllr T.G Mukwevho Cllr N.F Chililo Cllr N.B Jones Cllr A Matumba
Mayor	Cllr N.S Munyai
Speaker	Cllr L.B Mogale
Chief whip	Cllr M.D Mboyi
Councillors	Cllr T.J Mohlaba Cllr L.G Masutha Cllr K.M Maluleke Cllr T Balibali Cllr T.C Mamafha Cllr T.E Tambani Cllr T.M Babadu Cllr A Du Plooy Cllr M Kanukani Cllr E Maduwa Cllr V.S Luduvhungu Cllr E.T Sithi Cllr S.Z Mthombeni Cllr P.N Musandiwa Cllr M.D Ndou Cllr J.N Simangwe Cllr E.M Mulefu Cllr M.S Machete Cllr N.V Malivha Cllr R.M Magada Cllr G.M Ramushavha Cllr M.A Mashamba Cllr M.J Gabara Cllr T Kutama Cllr N Kutama Cllr S.S Nyelisani Cllr S.M Sinyosi Cllr N.S Nemudzivhadi Cllr F.N Madzhiga

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

General Information

Cllr S Masuka
Cllr S Madula
Cllr L.M Mathalise
Cllr K.S Ramavhoya
Cllr M.R Makgoadi
Cllr L.R Tshiambwa
Cllr G.R Rashamuse
Cllr F.B Hlongwane
Cllr M.E Malima
Cllr T Seshoki
Cllr M.C Nematandani
Cllr R Raliphada
Cllr N.A Mafhala
Cllr T.A Maraga
Cllr G Tsibvumo
Cllr T.E Dzivhani
Cllr T.M Malange
Cllr S.S Tshifura
Cllr M.A Selapyana
Cllr M.N Ndou
Cllr M.J Mpashe
Cllr M.G Phoshoko
Cllr M.G Furumule
Cllr M.F Nethulwe
Cllr A.A Raphalalani
Cllr I.S Bulala
Cllr N Munyai
Cllr J Lukheli
Cllr R.T Maingo
Cllr M.F Mukhari
Cllr M.L Masipa
Cllr M.S Tshilambyana
Cllr L.G Maduwa

Audit Committee Members

Ms J Masite(Chairperson)
Mr D Ramuedzisi
Mr S Matenzhe
Mr L.J Thubangale
Mr S Mofokeng

Accounting Officer

N.F Tshivhengwa

Chief Finance Officer (CFO)

K.M Nemaname

Grading of local authority

4

Registered office

Corner Krogh and Erasmus Street
Makhado
0920

Business address

Corner Krogh and Erasmus Street
Makhado

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

General Information

	0920
Postal address	Private Bag X2596 Makhado 0920
Bankers	First National Bank
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Attorneys	Panel of attorneys of the Municipality Tambani Matumba Attorneys Makhuvha EM & Greg Munonde JV Wisani Baloyi Incorporated Lebea & Associates Attorneys Kgoroadira Mudau Incorporated

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6 - 7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 14
Accounting Policies	17 - 50
Notes to the Annual Financial Statements	51 - 97
The following appendixes does not form part of the annual financial statements and is unaudited:	
Appendix B: Analysis of Property, Plant and Equipment	98

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers
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)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's council.

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

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

N.F Tshivhengwa
Accounting Officer

31 August 2019

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no. 56 of 2003 and municipal systems act no. 32 of 2000. and operates principally in South Africa.

The municipality's contribution towards total income increased marginally compared to the same period in the previous financial year as shown in the analysis below.

Net deficit of the municipality was R 5 352 673 (2018: deficit R 165 121 753).

Proportion of income generated/raised

2019

Type of income	Proportion of contribution to income	Amount
Service charges	38 %	345 005 666
Property rates	8 %	73 345 242
Grants and Subsidies	47 %	426 916 377
Traffic fines	1 %	7 742 040
Licence & permits	1 %	7 423 893
Other income	5 %	52 691 735

2018

Type of income	Proportion of contribution to income	Amount
Service charges	34 %	294 728 865
Property rates	7 %	60 193 333
Grants and Subsidies	50 %	443 008 275
Traffic fines	1 %	5 819 498
Licence & permits	1 %	8 541 044
Other income	7 %	62 552 811

2. Going concern

The municipality had an accumulated surplus of R 1 547 613 045 (2018: R 1 565 256 112) and that the municipality's total assets exceeded its liabilities by R 1 547 613 045 (2018: R 1 565 256 112).

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

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

3. Subsequent events

The accounting officer is not aware of any material events which occurred after the reporting date and up to the date of this report.

4. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

5. Accounting policies

The annual financial statements were prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Makhado Local Municipality must appoint members of the Audit and Performance Committee.

Internal audit

The municipality has a internal audit function, which is in compliance with the Municipal Finance Management Act, 2003 section 165.

7. Bankers

The municipality's bankers did not change during the current year.

8. Auditors

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	119 300 491	118 466 379
Sundry Debtors	3	122 189	599 916
Receivables from non-exchange transactions	4	17 445 033	13 983 283
Consumer debtors - Exchange transactions	5	41 636 170	41 877 612
Consumer debtors - Non- Exchange transactions	5	21 326 491	19 120 617
Cash and cash equivalents	6	91 835 178	19 026 891
		291 665 552	213 074 698
Non-Current Assets			
Investment property	7	16 347 062	16 796 723
Property, plant and equipment	8	1 579 721 774	1 640 640 540
Intangible assets	9	1 776 588	1 517 093
Heritage assets	10	2 160 329	2 160 329
		1 600 005 753	1 661 114 685
Total Assets		1 891 671 305	1 874 189 383
Liabilities			
Current Liabilities			
Finance lease obligation	12	513 414	3 046 172
Payables from exchange transactions	13	173 919 866	134 420 544
VAT payable	14	29 237 771	31 162 737
Consumer deposits	16	16 529 177	15 930 957
Employee benefit obligation	18	4 203 547	3 817 477
Unspent conditional grants and receipts	15	3 473 128	2 900 000
Provisions	19	9 619 750	9 145 116
Deferred Income	17	105 741	29 062
		237 602 394	200 452 065
Non-Current Liabilities			
Finance lease obligation	12	183 118	696 532
Employee benefit obligation	18	102 559 445	104 368 258
Provisions	19	3 713 303	3 416 416
		106 455 866	108 481 206
Total Liabilities		344 058 260	308 933 271
Net Assets		1 547 613 045	1 565 256 112
Accumulated surplus		1 547 613 045	1 565 256 112

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	345 005 666	294 728 865
Rental of facilities and equipment	24	834 870	769 125
Interest received - outstanding debtors	33	19 777 159	15 960 410
Licences and permits	24	7 423 893	8 541 044
Operational Revenue	21	26 018 734	36 484 496
Interest received from financial institutions	32	6 060 972	9 338 780
Total revenue from exchange transactions		405 121 294	365 822 720
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	73 345 242	60 193 333
Transfer revenue			
Government grants & subsidies	23	426 916 377	443 008 275
Fines, penalties and forfeits	24	7 742 040	5 819 498
Total revenue from non-exchange transactions		508 003 659	509 021 106
Total revenue	24	913 124 953	874 843 826
Expenditure			
Employee related costs	25	(255 156 547)	(249 835 465)
Remuneration of councillors	26	(26 316 164)	(25 306 856)
Depreciation and amortisation	27	(116 404 835)	(118 294 076)
Impairment of non cash generating assets	48	(15 195 412)	(6 176 444)
Finance costs	28	(10 691 728)	(12 159 192)
Provision for doubtful debts	29	(46 868 105)	(132 237 425)
Bulk purchases	30	(235 312 620)	(212 654 238)
Contracted services	49	(138 186 937)	(189 091 352)
General Expenses	31	(69 922 175)	(93 268 866)
Loss on disposal of assets		(4 423 103)	-
Loss from transfer of functions between entities not under common control		-	(941 665)
Total expenditure		(918 477 626)	(1 039 965 579)
Deficit for the year		(5 352 673)	(165 121 753)

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 698 330 489	1 698 330 489
Adjustments		
Prior year adjustments (Note 36)	32 047 376	32 047 376
Balance at 01 July 2017 as restated*	1 730 377 865	1 730 377 865
Changes in net assets		
Loss for the year	(165 121 753)	(165 121 753)
Total changes	(165 121 753)	(165 121 753)
Balance at 01 July 2018 as restated*	1 565 256 112	1 565 256 112
Changes in net assets		
Surplus for the year	(5 352 673)	(5 352 673)
Changes recognised directly in net assets	(12 290 394)	(12 290 394)
Total changes	(17 643 067)	(17 643 067)
Balance at 30 June 2019	1 547 613 045	1 547 613 045

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates		49 375 852	43 021 446
Service charges		334 168 497	233 253 495
Grants		427 489 505	433 090 249
Traffic Fines		1 695 214	1 133 698
Licence & permits		7 423 893	8 526 910
Other income		11 744 208	25 575 418
VAT Received		31 735 231	32 272 631
Interest Income		12 415 158	6 470 298
		<u>876 047 557</u>	<u>783 344 145</u>
Payments			
Employee costs		(245 873 085)	(239 627 831)
Remuneration of council		(26 316 164)	(25 306 856)
Payments to suppliers		(364 872 971)	(475 878 501)
Finance costs		(67 368)	(606 305)
		<u>(637 129 588)</u>	<u>(741 419 493)</u>
Net cash flows from operating activities	34	<u>238 917 969</u>	<u>41 924 652</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(162 680 500)	(119 081 309)
Proceeds from sale of property, plant and equipment	8	1 454 803	-
Purchase of other intangible assets	9	(807 180)	(602 884)
Net cash flows from investing activities		<u>(162 032 877)</u>	<u>(119 684 193)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(1 677 214)
Finance lease payments		(4 076 806)	(4 865 664)
Net cash flows from financing activities		<u>(4 076 806)</u>	<u>(6 542 878)</u>
Net increase/(decrease) in cash and cash equivalents		72 808 287	(84 302 419)
Cash and cash equivalents at the beginning of the year		19 026 891	103 329 310
Cash and cash equivalents at the end of the year	6	<u>91 835 178</u>	<u>19 026 891</u>

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	357 186 000	(17 772 000)	339 414 000	345 005 666	5 591 666	45
Rental of facilities and equipment	455 000	(126 000)	329 000	834 870	505 870	45
Interest income	20 100 000	(709 000)	19 391 000	19 777 159	386 159	45
Licences and permits	11 661 000	1 572 000	13 233 000	7 423 893	(5 809 107)	45
Other income	4 334 000	76 469 000	80 803 000	-	(80 803 000)	45
Other income	-	-	-	26 018 734	26 018 734	45
Interest received - investment	3 963 000	(3 912 000)	51 000	6 060 972	6 009 972	45
Total revenue from exchange transactions	397 699 000	55 522 000	453 221 000	405 121 294	(48 099 706)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	58 879 000	8 006 000	66 885 000	73 345 242	6 460 242	45
Transfer revenue						
Government grants & subsidies	426 456 000	(338 000)	426 118 000	426 916 377	798 377	45
Fines, Penalties and Forfeits	1 989 000	(232 000)	1 757 000	7 742 040	5 985 040	45
Total revenue from non-exchange transactions	487 324 000	7 436 000	494 760 000	508 003 659	13 243 659	
Total revenue	885 023 000	62 958 000	947 981 000	913 124 953	(34 856 047)	
Expenditure						
Personnel	(283 826 000)	28 334 000	(255 492 000)	(255 156 547)	335 453	45
Remuneration of councillors	(11 135 000)	(16 640 000)	(27 775 000)	(26 316 164)	1 458 836	45
Depreciation and amortisation	(78 148 000)	(18 287 715)	(96 435 715)	(116 404 835)	(19 969 120)	45
Impairment loss/ Reversal of impairments	-	-	-	(15 195 412)	(15 195 412)	45
Finance costs	(13 102 000)	(52 000)	(13 154 000)	(10 691 728)	2 462 272	45
Debt Impairment	(40 904 000)	(7 358 160)	(48 262 160)	(46 868 105)	1 394 055	45
Bulk purchases	(154 909 000)	(81 730 000)	(236 639 000)	(235 312 620)	1 326 380	
Contracted Services	(142 691 000)	53 745 876	(88 945 124)	(138 186 937)	(49 241 813)	
General Expenses	(89 384 000)	16 844 000	(72 540 000)	(69 922 175)	2 617 825	
Total expenditure	(814 099 000)	(25 143 999)	(839 242 999)	(914 054 523)	(74 811 524)	
Operating deficit	70 924 000	37 814 001	108 738 001	(929 570)	(109 667 571)	
Loss on disposal of assets and liabilities	-	-	-	(4 423 103)	(4 423 103)	
Deficit before taxation	70 924 000	37 814 001	108 738 001	(5 352 673)	(114 090 674)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	70 924 000	37 814 001	108 738 001	(5 352 673)	(114 090 674)	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	125 856 000	-	125 856 000	119 300 491	(6 555 509)	
Sundry Debtors	18 775 000	-	18 775 000	122 190	(18 652 810)	
Receivables from non-exchange transactions	42 003 000	-	42 003 000	17 445 033	(24 557 967)	
Consumer debtors	375 160 000	31 139 000	406 299 000	62 962 660	(343 336 340)	
Cash and cash equivalents	65 970 000	-	65 970 000	91 835 178	25 865 178	
	627 764 000	31 139 000	658 903 000	291 665 552	(367 237 448)	

Non-Current Assets

Investment property	20 000	-	20 000	16 347 062	16 327 062	
Property, plant and equipment	104 675 000	(26 671 000)	78 004 000	1 579 721 774	1 501 717 774	
Intangible assets	2 878 000	(571 000)	2 307 000	1 776 588	(530 412)	
Heritage assets	1 296 000	-	1 296 000	2 160 329	864 329	
	108 869 000	(27 242 000)	81 627 000	1 600 005 753	1 518 378 753	

Total Assets

736 633 000 3 897 000 740 530 000 1 891 671 305 1 151 141 305

Liabilities

Current Liabilities

Finance lease obligation	635 100	-	635 100	513 414	(121 686)	45
Payables from exchange transactions	67 246 000	-	67 246 000	173 919 866	106 673 866	
VAT payable	30 000 000	-	30 000 000	29 237 771	(762 229)	
Consumer deposits	2 500 000	-	2 500 000	16 529 177	14 029 177	
Employee benefit obligation	4 225 000	-	4 225 000	4 203 547	(21 453)	
Unspent conditional grants and receipts	50 500 000	-	50 500 000	3 473 128	(47 026 872)	
Deferred Income	-	-	-	105 741	105 741	
Deferred Income	18 500	-	18 500	-	(18 500)	
	155 124 600	-	155 124 600	227 982 644	72 858 044	

Non-Current Liabilities

Finance lease obligation	250 000	-	250 000	183 118	(66 882)	
Employee benefit obligation	83 869 400	-	83 869 400	102 559 445	18 690 045	
Provisions	64 000	-	64 000	13 333 053	13 269 053	
	84 183 400	-	84 183 400	116 075 616	31 892 216	

Total Liabilities

239 308 000 - 239 308 000 344 058 260 104 750 260

Net Assets

497 325 000 3 897 000 501 222 000 1 547 613 045 1 046 391 045

Reserves

Accumulated surplus 497 325 000 3 897 000 501 222 000 1 547 613 045 1 046 391 045

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	-	-	-	49 375 852	49 375 852	
Services Charges	40 904 000	(40 904 000)	-	334 168 497	334 168 497	
Grants	426 456 000	(338 000)	426 118 000	427 489 505	1 371 505	
Interest income	20 100 000	(709 000)	19 391 000	12 415 158	(6 975 842)	
Other receipts	22 402 000	73 771 000	96 173 000	52 598 545	(43 574 455)	
	509 862 000	31 820 000	541 682 000	876 047 557	334 365 557	
Payments						
Suppliers and employees	(722 851 000)	(90 000)	(722 941 000)	(637 062 220)	85 878 780	
Finance costs	(13 102 000)	(52 000)	(13 154 000)	(67 368)	13 086 632	
	(735 953 000)	(142 000)	(736 095 000)	(637 129 588)	98 965 412	
Net cash flows from operating activities	(226 091 000)	31 678 000	(194 413 000)	238 917 969	433 330 969	
Cash flows from investing activities						
Purchase of property, plant and equipment	(185 681 000)	2 221 000	(183 460 000)	(163 487 680)	19 972 320	
Proceeds from sale of property, plant and equipment	-	-	-	1 454 803	1 454 803	
Net cash flows from investing activities	(185 681 000)	2 221 000	(183 460 000)	(162 032 877)	21 427 123	
Cash flows from financing activities						
Finance lease payments	-	-	-	(4 076 806)	(4 076 806)	
Net increase/(decrease) in cash and cash equivalents	(411 772 000)	33 899 000	(377 873 000)	72 808 287	454 758 092	
Cash and cash equivalents at the beginning of the year	-	-	-	19 026 891	19 026 891	
Cash and cash equivalents at the end of the year	(411 772 000)	33 899 000	(377 873 000)	91 835 178	473 784 983	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	58 879 000	8 006 000	66 885 000	-		66 885 000	73 345 242		6 460 242	110 %	125 %
Service charges	357 186 000	(17 772 000)	339 414 000	-		339 414 000	345 005 666		5 591 666	102 %	97 %
Investment revenue	-	-	-	-		-	6 060 972		6 060 972	DIV/0 %	DIV/0 %
Transfers recognised - operational	321 811 000	(338 000)	321 473 000	-		321 473 000	321 083 290		(389 710)	100 %	100 %
Other own revenue	42 502 000	73 062 000	115 564 000	-		115 564 000	72 232 844		(43 331 156)	63 %	170 %
Total revenue (excluding capital transfers and contributions)	780 378 000	62 958 000	843 336 000	-		843 336 000	817 728 014		(25 607 986)	97 %	105 %
Employee costs	(283 826 000)	28 334 000	(255 492 000)	-	-	(255 492 000)	(255 156 547)	-	335 453	100 %	90 %
Remuneration of councillors	(11 135 000)	(16 640 000)	(27 775 000)	-	-	(27 775 000)	(26 316 164)	-	1 458 836	95 %	236 %
Debt impairment	(40 904 000)	(7 358 160)	(48 262 160)			(48 262 160)	(46 868 105)	-	1 394 055	97 %	115 %
Depreciation and asset impairment	(78 148 000)	(18 287 715)	(96 435 715)			(96 435 715)	(131 600 247)	-	(35 164 532)	136 %	168 %
Finance charges	(13 102 000)	(52 000)	(13 154 000)	-	-	(13 154 000)	(10 691 728)	-	2 462 272	81 %	82 %
Materials and bulk purchases	(154 909 000)	(81 730 000)	(236 639 000)	-	-	(236 639 000)	(235 312 620)	-	1 326 380	99 %	152 %
Other expenditure	(232 075 000)	70 589 876	(161 485 124)	-	-	(161 485 124)	(222 968 363)	-	(61 483 239)	138 %	96 %
Total expenditure	(814 099 000)	(25 143 999)	(839 242 999)	-	-	(839 242 999)	(928 913 774)	-	(89 670 775)	111 %	114 %
Surplus/(Deficit)	(33 721 000)	37 814 001	4 093 001	-		4 093 001	(111 185 760)		(115 278 761)	(2 716)%	330 %

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	104 645 000	-	104 645 000	-		104 645 000	105 833 087		1 188 087	101 %	101 %
Surplus (Deficit) after capital transfers and contributions	70 924 000	37 814 001	108 738 001	-		108 738 001	(5 352 673)		(114 090 674)	(5)%	(8)%
Surplus/(Deficit) for the year	70 924 000	37 814 001	108 738 001	-		108 738 001	(5 352 673)		(114 090 674)	(5)%	(8)%

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Basis of preparation

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

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

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Going concern assumption

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

1.2 Presentation currency

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 New standards and interpretations

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 2019 or later periods. The municipality will comply with the new standards and interpretations in future financial periods.

- GRAP 104: (Revised): Financial Instruments [Effective date: TBD]
- GRAP 20: Related parties [Effective for financial periods after 01/04/2019]
- GRAP 108: Statutory Receivables [Effective for financial periods after 01/04/2019]
- GRAP 109: Accounting by Principals and Agents [Effective for financial periods after 01/04/2019]
- IGRAP 1: (Revised): Applying the Probability Test on Initial Recognition of Revenue [Effective for financial periods after 01/04/2020]
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land [Effective for financial periods after 01/04/2019]
- IGRAP 19: Liabilities to Pay Levies [Effective for financial periods after 01/04/2019]
- IGRAP 20: Accounting for Adjustments to Revenue [Effective for financial periods after 01/04/2020]
- Guideline: Guideline on the Application of Materiality to Financial Statements [Effective date: TBD]
- Guideline: Guideline on Accounting for Landfill Sites [Effective date: TBD]
- Directive 7: (Revised): The Application of Deemed Cost. [Effective for financial periods after 01/04/2019]

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

Standards and Interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations.

- GRAP 6: Consolidated and Separate Financial Statements. [Effective for financial periods after 01/04/2019]
- GRAP 7: Investments in Associates. [Effective for financial periods after 01/04/2019]
- GRAP 8: Interests in Joint Ventures. [Effective for financial periods after 01/04/2019]
- GRAP 18: Segment Reporting. [Effective for financial periods after 01/04/2019]
- GRAP 34: Separate Financial Statements. [Effective for financial periods after 01/04/2020]
- GRAP 35: Consolidated Financial Statements. [Effective for financial periods after 01/04/2020]
- GRAP 36: Investments in Associates and Joint Ventures. [Effective for financial periods after 01/04/2020]
- GRAP 37: Joint Arrangements. [Effective for financial periods after 01/04/2020]
- GRAP 38: Disclosure of Interest in Other Entities. [Effective for financial periods after 01/04/2020]
- GRAP 107: Mergers. [Effective for financial periods after 01/04/2019]
- GRAP 110: Living and Non- living Resources. [Effective for financial periods after 01/04/2020]
- IGRAP 11: Consolidation – Special purpose entities. [Effective for financial periods after 01/04/2019]
- IGRAP 12: Jointly controlled entities – Non –monetary contributions by ventures. [Effective for financial periods after 01/04/2019]
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset. [Effective for financial periods after 01/04/2019]

1.4 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 for more than one year.

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.

Initial measurement

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Subsequent measurement

The municipality will, after initial recognition, treat items of PPE in terms of the **cost model**, thus carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Land is not depreciated as it is deemed to have an indefinite useful life.

Useful lives

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

Item	Depreciation method	Average useful life
Land and Buildings		
• Land	Straight line	indefinite
• Buildings	Straight line	30 years
Other assets		
• Furniture and fittings	Straight line	5 - 19 years
• Air conditioners	Straight line	5 - 9 years
• Office machines	Straight line	5 - 19 years
• Computer hardwares	Straight line	5 - 19 years

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

• Transport assets	Straight line	7 - 30 years
Infrastructure		
• Roads ,Bridges and Storm water	Straight line	10 - 100 years
• Pedestrian malls	Straight line	20 years
• Electricity	Straight line	10 - 70 years
• Security measures	Straight line	3 - 7 years
Community Assets		
• Buildings and other assets	Straight line	5 - 50 years
• Recreational facilities	Straight line	15 - 30 years
• Watercraft	Straight line	15 years
• Emergency equipments	Straight line	5 - 15 years
• Plant and equipments	Straight line	5 - 40 years
• Landfill sites	Straight line	5 - 10 years
• Bins and containers	Straight line	5 - 10 years

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

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

Derecognition

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

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

Assets under construction

Assets under construction are stated at cost and not depreciated until the respective assets are completed and ready for use. Assets under construction are also assessed for impairment.

Impairment of non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Non-cash-generating assets are assets other than cash-generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

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

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary assets without physical substance.

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are initially recognised at cost.

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

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

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

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

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

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	2 - 10 years

Intangible assets are derecognised:

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Intangible assets (continued)

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

- equity instruments or similar forms of 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 the entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the entity.

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

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

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

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

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

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments (continued)

Receivables from Non - exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Non - Exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised 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.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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, the 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.

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.

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 municipality reclassifies the instrument from cost to fair value.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 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 loss is 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.

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments (continued)

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 loss is reversed 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments (continued)

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.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Financial instruments (continued)

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 entity 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).

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.

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.

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.

1.7 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Impairment testing

The recoverable amounts of non-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 management assumption may change which may then impact our estimate.

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. In addition, goodwill is tested on an annual basis for impairment. 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

Post-employment benefits offered by the municipality take the form of defined benefit plans. The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18 - Employee benefit obligations.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value at the prime interest rate, representing the time value of money.

Depreciation, amortisation, residual values and useful lives

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology, industry norms and minimum service requirements of the assets.

Deferred income

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.8 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 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. Grants are included in non-exchange transactions revenue. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit or present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or the fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

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

The municipality derecognises the heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The loss or gain arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 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 the 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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.

1.12 Related parties

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

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

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

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

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

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

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

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

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

1.13 Borrowing costs

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

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

1.14 Value added tax

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Commitments

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, and
- where disclosure is required by a specific standard of GRAP.

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the municipality will discharge its responsibilities thereby incurring future expenditure that will result in an outflow of cash.

1.16 Materiality

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

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 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.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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 municipality's incremental borrowing rate.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value. Short term investments of the municipality have 3 months maturity date.

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

1.19 Inventories

The municipality recognises inventories as an asset when:

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

Initial recognition and measurement

Inventories, consisting of consumable stores, land inventories and raw materials are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Subsequent measurement

Consumable stores and raw materials are valued at the lower of cost and net realisable value unless they are distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted average cost method.

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

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in surplus or deficit in the year in which they arose. The amount of any reversal of any write down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories. Such reversal is recognised in surplus or deficit in the period in which the reversal occurs.

Land inventory held by the municipality for the purpose of resale is carried at cost and accounted for as inventory.

Derecognition

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.20 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Transfer of functions between entities not under common control (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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- a entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits (continued)

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans (Pension Fund)

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans (Medical Aid & Long Service Award)

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits (continued)

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits (continued)

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.22 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when a municipality:

- 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Provisions and contingencies (continued)

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 ongoing 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 in note 36.

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, a 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.

Provision for landfill site rehabilitation costs

The municipality has an obligation to dismantle, remove and restore items of property plant and equipment. The estimated cost to rehabilitate the landfill sites is performed by qualified engineers, using various assumptions. A provision is then made using those costs. The related cost is measured at cost:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Revenue from exchange transactions

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

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

Revenue from exchange transactions consists primarily of service charges, rentals, licences and permits, interest received and other income.

Measurement

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

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.

Rendering of services

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

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

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

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

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

Interest earned

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

Prepaid Electricity

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

Service charges from sewerage and sanitation

Service charges from sewerage and sanitation are based on the extent of the ERF and of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to electricity

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Revenue from exchange transactions (continued)

Service charges relating to electricity are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Provisional estimates of consumption are made in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Refuse removal

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Revenue from exchange transactions (continued)

Service charges

Service charges are recognised on a monthly basis in arrears by applying the approved tariff and/or contract conditions. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income

Rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds, lease of tents etc. and is charged using the relevant approved tariffs.

Licenses and permits

Revenue of specific licenses and permits is recognised on an ad hoc basis by applying tariffs determined and approved by the Department of Transport and adopted by the municipal council on a yearly basis.

Other Income

Other income included amongst others the following:

- 20% commission on specific licenses and permits
- Sale of bid documents;
- Advertising; and
- Sale of municipal land

1.24 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

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

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued. The amount due by a particular offender is specified on the notice, summons or equivalent document.

The entity issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken. Fines reductions are not within the Makhado Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of the process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information. The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably. Makhado Local Municipality recognises revenue receivable through fines on the transaction date of the fines issued.

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.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Measurement

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

The basis of a receivables recognised and the provision for the impairment of fines is based on the following assumptions and methodologies:

- Revenue receivables - Revenue is recognised on the transaction date of the tickets issued;
- Net receivables - Total tickets issued less payments made and that equals tickets outstanding and warrants;
- Provision of impairment losses - 50% of (Warrants & outstanding tickets of current year debt)

- **NB:-** (i) Outstanding tickets refer to tickets which were issued, the court date on the ticket passed without the alleged offender attending and without any action taken by the court;
- (ii) Withdrawals are tickets which the court has withdrawn and considers no action being taken;
- (iii) Warrants are tickets wherein the court has issued warrants to arrest the offenders.

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.

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.

Government grants

Bequests that satisfy the definition of an asset 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

1.25 Investment income

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

1.26 Events after reporting date

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

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

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

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

1.27 Comparative figures

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

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note 36 "Prior year adjustments" to the financial statements.

1.28 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.28 Unauthorised expenditure (continued)

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.

1.29 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.

1.30 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality that is not in accordance with or in contravention of:

- (a) the MFMA, and which has not been condoned in terms of Section 70;
- (b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that Act;
- (c) the Public Office-Bearers Act, (Act No.20 of 1998);
- (d) the requirements of a supply chain management policy of the municipality or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
2. Inventories		
Land inventory	102 082 200	102 933 200
Consumable stores	17 218 291	15 533 179
	119 300 491	118 466 379
Land inventory		
Land inventory		
Opening balance	102 933 200	103 961 200
Land omitted from inventory valuation	-	512 000
Less: Sales	(851 000)	(1 540 000)
	102 082 200	102 933 200
Inventory consumables		
Inventory consumables		
Opening balance	15 533 178	13 682 222
Add: Purchases	13 331 356	11 311 731
Less: Issues	(11 578 614)	(9 476 622)
Inventory adjustment for the year	(67 629)	15 847
	17 218 291	15 533 178
Inventory pledged as security		
No inventory was pledged as security for the current and previous year.		
3. Sundry Debtors		
Other receivables	122 189	599 916
Vhembe District Municipality		
Opening Balance	93 839 073	104 070 304
Current Year Accrual	3 019 296	21 863 263
Bad Debts Written Off	-	(32 094 494)
Total	96 858 369	93 839 073
Less: Allowance for impairment	(96 858 369)	(93 839 073)
	-	-
Reconciliation of provision for doubtful debts		
Opening balance	(93 839 073)	(104 070 304)
Current Year Movement	(3 019 296)	(21 863 263)
Bad Debts Written Off	-	32 094 494
	(96 858 369)	(93 839 073)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
4. Receivables from non-exchange transactions		
Traffic fines	17 445 033	13 983 283
Receivables from non-exchange transactions pledged as security		
No receivables from non-exchange transactions were pledged as security for overdraft facilities of the municipality.		
Traffic fines		
The impairment of the traffic fines is based on a management estimate determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines		
Receivables from traffic fines were impaired during the year as follows:		
Gross Balance	29 085 416	23 280 766
Impairment	(11 640 383)	(9 297 483)
	17 445 033	13 983 283
Reconciliation of provision for impairment of traffic fines		
Opening Balance	9 297 483	6 425 748
Charge for the year	2 342 900	2 871 735
Closing Balance	11 640 383	9 297 483
5. Consumer debtors		
Gross balances		
Rates	84 129 579	66 372 548
Electricity	73 671 253	70 463 701
Interest	52 246 243	40 551 879
Refuse	15 979 303	12 704 913
Sundries	9 932 800	9 812 404
Vat	12 315 325	10 411 924
Other	1 628 845	1 423 077
	249 903 348	211 740 446
Less: Allowance for impairment		
Rates	(62 803 089)	(47 251 931)
Electricity	(55 167 790)	(50 164 504)
Interest	(39 123 941)	(28 869 686)
Refuse	(11 965 900)	(9 044 879)
Sundries	(7 438 052)	(6 985 645)
VAT	(9 222 176)	(7 412 455)
Other	(1 219 740)	(1 013 117)
	(186 940 688)	(150 742 217)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Net balance		
Rates	21 326 491	19 120 617
Electricity	18 503 463	20 299 197
Interest	13 122 302	11 682 193
Refuse	4 013 403	3 660 034
Sundries	2 494 748	2 826 759
VAT	3 093 149	2 999 469
Other	409 105	409 960
	62 962 661	60 998 229
Included in above is receivables from exchange transactions		
Electricity	18 503 463	20 299 197
Interest	13 122 302	11 682 193
Refuse	4 013 403	3 660 034
Sundries	2 494 748	2 826 759
VAT	3 093 149	2 999 469
Other	409 105	409 960
	41 636 170	41 877 612
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	21 326 491	19 120 617
	62 962 661	60 998 229
Rates		
Current (0 -30 days)	7 946 663	6 204 402
31 - 60 days	2 731 274	2 112 796
61 - 90 days	2 531 492	1 990 139
91 - 120 days	2 355 518	1 922 316
121 - 365 days	68 564 632	54 142 895
	84 129 579	66 372 548
Electricity		
Current (0 -30 days)	32 817 864	26 300 466
31 - 60 days	1 941 786	2 451 227
61 - 90 days	1 106 073	2 266 020
91 - 120 days	1 216 101	2 608 436
121 - 365 days	36 589 429	36 837 551
	73 671 253	70 463 700
Interest		
Current (0 -30 days)	3 381 920	2 976 218
31 - 60 days	1 621 624	1 405 845
61 - 90 days	1 590 758	1 357 800
91 - 120 days	1 516 058	1 313 004
121 - 365 days	44 135 885	33 499 012
	52 246 245	40 551 879

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	2 358 071	1 037 633
31 - 60 days	338 816	319 539
61 - 90 days	343 275	307 867
91 - 120 days	317 349	299 441
121 - 365 days	12 621 792	10 740 432
	15 979 303	12 704 912
Sundries		
Current (0 -30 days)	1 236 076	920 220
31 - 60 days	218 812	249 243
61 - 90 days	193 931	283 695
91 - 120 days	170 504	230 203
121 - 365 days	8 113 476	8 129 043
	9 932 799	9 812 404
VAT		
Current (0 -30 days)	3 960 575	3 024 813
31 - 60 days	373 859	419 246
61 - 90 days	235 723	330 343
91 - 120 days	229 535	402 609
121 - 365 days	7 515 632	6 234 914
	12 315 324	10 411 925
Other		
Current (0 -30 days)	100 622	98 289
31 - 60 days	28 330	27 285
61 - 90 days	24 866	22 149
91 - 120 days	27 049	22 856
121 - 365 days	1 447 978	1 252 498
	1 628 845	1 423 077

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	13 099 507	11 019 737
31 - 60 days	3 219 459	2 612 982
61 - 90 days	2 749 201	2 538 371
91 - 120 days	2 582 747	2 407 698
121 - 365 days	19 074 584	15 719 158
> 365 days	71 702 562	57 089 439
	<u>112 428 060</u>	<u>91 387 385</u>
Less: Allowance for impairment	(104 968 482)	(85 520 552)
	<u>7 459 578</u>	<u>5 866 833</u>
Industrial/ Commercial/Government/Churches/ Municipal		
Current (0 -30 days)	28 633 011	22 807 305
31 - 60 days	2 699 852	3 467 978
61 - 90 days	2 305 380	2 810 790
91 - 120 days	2 306 350	3 056 438
121 - 365 days	14 332 311	18 973 723
> 365 days	43 292 176	36 582 005
	<u>93 569 080</u>	<u>87 698 239</u>
Less: Allowance for impairment	(47 380 674)	(37 047 780)
	<u>46 188 406</u>	<u>50 650 459</u>
Agriculture		
Current (0 -30 days)	9 807 151	6 735 000
31 - 60 days	1 597 313	904 220
61 - 90 days	971 536	1 208 853
91 - 120 days	943 019	1 334 729
121 - 365 days	6 209 560	6 887 522
> 365 days	24 377 629	15 584 497
	<u>43 906 208</u>	<u>32 654 821</u>
Less: Allowance for impairment	(34 591 532)	(28 173 884)
	<u>9 314 676</u>	<u>4 480 937</u>
Total		
Current (0 -30 days)	51 539 669	40 562 042
31 - 60 days	7 516 623	6 985 180
61 - 90 days	6 026 117	6 558 014
91 - 120 days	5 832 115	6 798 865
121 - 365 days	39 616 456	41 580 403
> 365 days	139 372 367	109 255 941
	<u>249 903 347</u>	<u>211 740 445</u>
Less: Allowance for impairment	(186 940 687)	(150 742 217)
	<u>62 962 660</u>	<u>60 998 228</u>
Less: Allowance for impairment		
Current (0 -30 days)	(38 594 832)	(28 876 921)
31 - 60 days	(5 432 442)	(4 972 888)
61 - 90 days	(4 512 582)	(4 668 780)
91 - 120 days	(4 367 306)	(4 840 247)
121 - 365 days	(29 666 284)	(29 601 913)
> 365 days	(104 367 241)	(77 781 468)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
	(186 940 687)	(150 742 217)
Reconciliation of provision for doubtful debts		
Opening balance	150 742 217	106 589 003
Allowance for impairment	41 505 909	44 768 378
Amounts written off as uncollectible	(5 307 439)	(615 164)
	186 940 687	150 742 217

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 29).

Debtors are individually assessed annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt older than 30 days, and considers past and current payment patterns.

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Primary bank account	90 954 379	18 178 125
Short-term deposits	854 099	823 566
Cash Float	11 700	10 200
Petty Cash	15 000	15 000
	91 835 178	19 026 891

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

6. Cash and cash equivalents (continued)

The Municipality had the following bank accounts:

Account Number	Bank Statement Balance: 30 June 2019	Bank Statement Balance: 30 June 2018	Bank Statement Balance: 30 June 2017	Cash Book Balance: 30 June 2019	Cash Book Balance: 30 June 2018	Cash Book Balance: 30 June 2017
FNB BANK - Primary account - 623-0832-9988	87 201 409	20 191 898	9 994 289	90 954 379	18 178 125	9 994 289
FNB BANK - Investment account - 623-0833-0779	20 482	20 351	20 205	20 482	20 351	20 205
FNB BANK - Investment account - 624-0465-0435	730 945	703 738	677 186	730 945	703 738	677 186
FNB BANK - Call account - 624-8284-3408	102 671	99 477	97 045	102 671	99 477	97 045
VBS MUTUAL BANK- Investment account- MAK01002957 0006	-	-	41 370 387	-	-	41 370 387
VBS MUTUAL BANK Investment account- MAK01002957 0005	-	-	51 144 997	-	-	51 144 997
	88 055 507	21 015 464	103 304 109	91 808 477	19 001 691	103 304 109

Short Term Investments

Average rate of investments is 5.37 %. The municipality's investments are held with FNB Bank, amounting to R 854 099 (2018: R 823,566). The interest earned as at 30 June 2019 amounted to R 30 533 (2018: R 29 129.03) respectively.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral in the current financial year and previous years.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

7. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 777 018	(2 429 956)	16 347 062	18 777 018	(1 980 295)	16 796 723

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Total
Investment property	16 796 723	(64 640)	(385 021)	16 347 062

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	17 181 744	(385 021)	16 796 723

Pledged as security

No investment property of the municipality was pledged as security.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	236 793 833	-	236 793 833	238 053 833	-	238 053 833
Buildings	36 902 731	(15 427 431)	21 475 300	53 816 419	(16 901 076)	36 915 343
Machinery and equipments	34 986 121	(21 860 622)	13 125 499	30 551 833	(21 812 198)	8 739 635
Furniture and office equipments	12 846 600	(8 330 000)	4 516 600	12 868 976	(7 421 098)	5 447 878
Transport assets	38 016 200	(20 350 169)	17 666 031	47 928 234	(37 627 843)	10 300 391
Computer equipments	6 550 009	(4 287 080)	2 262 929	5 748 310	(3 776 995)	1 971 315
Infrastructure assets	2 210 341 972	(1 022 890 717)	1 187 451 255	2 151 371 280	(910 797 704)	1 240 573 576
Community assets	76 844 484	(22 515 979)	54 328 505	76 844 484	(19 333 964)	57 510 520
Library Books	2 422 330	(1 879 182)	543 148	2 422 040	(1 687 543)	734 497
Work In Progress	41 558 674	-	41 558 674	40 393 552	-	40 393 552
Total	2 697 262 954	(1 117 541 180)	1 579 721 774	2 659 998 961	(1 019 358 421)	1 640 640 540

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Transfers to PPE	Depreciation	Impairment loss	Total
Land	238 053 833	-	(1 260 000)	-	-	-	-	236 793 833
Buildings	36 915 343	373 082	(12 645 596)	-	-	(1 855 404)	(1 312 125)	21 475 300
Machinery and equipments	8 739 635	7 795 589	(498 094)	-	-	(2 444 589)	(467 042)	13 125 499
Furniture and office equipments	5 447 879	373 885	(78 840)	-	-	(900 722)	(325 602)	4 516 600
Transport assets	10 300 391	11 238 725	(1 456 007)	(66 618)	-	(2 328 094)	(22 366)	17 666 031
Library Books	734 497	290	-	-	-	(191 620)	(19)	543 148
Computer equipments	1 971 314	1 038 552	(16 771)	-	-	(638 762)	(91 404)	2 262 929
Infrastructure assets	1 240 573 578	70 161 086	(6 440 307)	-	-	(104 325 345)	(12 517 757)	1 187 451 255
Community assets	57 510 520	-	-	-	-	(2 787 558)	(394 457)	54 328 505
Work In Progress	40 393 552	71 699 290	-	-	(70 534 168)	-	-	41 558 674
	1 640 640 542	162 680 499	(22 395 615)	(66 618)	(70 534 168)	(115 472 094)	(15 130 772)	1 579 721 774

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers to PPE	Disposals	Impairment loss	Depreciation	Total
Land	238 053 833	-	-	-	-	-	238 053 833
Buildings	36 966 580	1 849 757	-	(47 165)	-	(1 853 829)	36 915 343
Machinery and equipments	11 253 868	408 187	-	(58 714)	(136 436)	(2 727 270)	8 739 635
Furniture and office equipments	5 090 859	1 719 284	-	(7 152)	(98 900)	(1 256 213)	5 447 878
Transport assets	14 425 394	1 259 744	-	-	(678)	(5 384 069)	10 300 391
Library Books	811 986	109 736	-	(435)	(300)	(186 490)	734 497
Computer equipments	2 435 093	291 348	-	(896)	(12 070)	(742 160)	1 971 315
Infrastructure assets	1 299 081 007	50 101 725	-	-	(5 923 866)	(102 685 290)	1 240 573 576
Community assets	48 640 016	11 515 093	-	-	(4 195)	(2 640 394)	57 510 520
Work In Progress	47 675 618	51 826 435	(59 108 501)	-	-	-	40 393 552
	1 704 434 254	119 081 309	(59 108 501)	(114 362)	(6 176 445)	(117 475 715)	1 640 640 540

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	39 427 028	-	966 524	40 393 552
Additions/capital expenditure	58 742 129	10 537 754	2 419 407	71 699 290
Transferred to completed items	(69 936 086)	(130 150)	(467 932)	(70 534 168)
	28 233 071	10 407 604	2 917 999	41 558 674

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	26 768 167	6 510 197	14 397 252	47 675 616
Additions/capital expenditure	49 193 729	2 137 814	494 893	51 826 436
Transferred to completed items	(36 534 868)	(8 648 011)	(13 925 621)	(59 108 500)
	39 427 028	-	966 524	40 393 552

Impairment of non cash generating assets

At the reporting date all asset classes were assessed for impairment and the following classes of assets were impaired at reporting date and below are the asset categories that have been impaired by the following amounts:

Asset Class	2019
Infrastructure assets	12 517 757
Machinery and equipment	467 042
Furniture and fittings	325 602
Computer assets	91 404
Transport assets	22 366
Library books	19
Community assets	394 457
Buildings	1 312 125
Investment Property	64 640
	15 195 412

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

Useful Lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were adjusted as they were found to have changed from the previous financial period. Refer to Note 11 for Changes in Accounting Estimates.

Property Register

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

Pledged as security

No property, plant and equipment of the municipality were pledged as security.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

9. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets (finite)	6 011 583	(4 234 995)	1 776 588	5 204 403	(3 687 310)	1 517 093

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 517 093	807 180	(547 685)	1 776 588

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 347 549	602 884	(433 340)	1 517 093

Pledged as security

No intangible assets of the municipality were pledged as security.

Restricted title

There is no restriction on the title of Intangible Assets. Intangible Assets have finite useful lives and are amortized over the useful lives

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

10. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	2 160 329	-	2 160 329	2 160 329	-	2 160 329

Reconciliation of heritage assets 2019

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Reconciliation of heritage assets 2018

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Pledged as security

No heritage assets of the municipality were pledged as security.

Expenditure incurred to repair and maintain heritage assets

In the current year, the municipality did not incur any expenditure to repair or maintain the heritage assets.

11. Changes in Accounting Estimates

Included in depreciation of R116 404 835 for the current financial year is a change in estimate resulting in a decrease in depreciation of property, plant and equipment for the current year of R888 919 (R117 293 754 – R116 404 835) that arose from the decision to change the remaining useful lives of certain classes of property, plant and equipment in the current year. This change will result in an increase of depreciation in future periods of R888 919.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
12. Finance lease obligation		
Minimum lease payments due		
- within one year	561 134	3 226 133
- in second to fifth year inclusive	187 044	748 178
	<u>748 178</u>	<u>3 974 311</u>
less: future finance charges	(51 646)	(231 607)
Present value of minimum lease payments	<u>696 532</u>	<u>3 742 704</u>
Present value of minimum lease payments due		
- within one year	513 414	3 046 172
- in second to fifth year inclusive	183 118	696 532
	<u>696 532</u>	<u>3 742 704</u>
Non-current liabilities	183 118	696 532
Current liabilities	513 414	3 046 172
	<u>696 532</u>	<u>3 742 704</u>

It is municipality policy to lease certain equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3-10 years and the average effective borrowing rate was 10% (2018: 9.67%).

Interest rates are linked to prime at the contract date while some increase by a fixed margin. Motor vehicle and photocopier leases have variable repayments. The repayments increase by an average of 10% per year over the period of the lease contract.

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

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

13. Payables from exchange transactions

Salary Control	-	292 412
Accrued operating creditors	95 941 647	58 788 473
Retentions	21 879 328	21 358 101
Debtors with credit balances	8 543 216	9 589 950
Other creditors	14 449 516	14 624 078
Provision for bonus: Section 57 Managers	1 377 900	871 318
Provision for leave pay	25 777 661	23 291 153
Provision for bonus: General Employees	5 950 598	5 605 059
	<u>173 919 866</u>	<u>134 420 544</u>
Fair value of payables from exchange transactions		
Trade payables	<u>173 919 866</u>	<u>134 420 544</u>

The carrying amount of payables from exchange transactions approximates their fair values.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. VAT payable		
VAT payables	<u>29 237 771</u>	<u>31 162 737</u>

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

15. Unspent conditional grants and receipts

Unspent grants are mainly attributed to projects that are work in progress in the relevant financial year-ends. 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.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Demarcation Transition Grant	-	500 000
Local Economic Development	3 473 128	2 400 000
	3 473 128	2 900 000

Movement during the year

Balance at the beginning of the year	2 900 000	12 818 026
Current year receipts	427 989 505	435 102 315
Conditions met - Transferred to revenue	(426 916 377)	(443 008 275)
Amounts Withheld	(500 000)	(2 012 066)
	3 473 128	2 900 000

See note 22 for reconciliation of grants from National/Provincial Government.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
16. Consumer deposits		
Electricity	16 465 002	15 846 453
Housing rental	64 175	84 504
	<u>16 529 177</u>	<u>15 930 957</u>

During the financial period ended 30 June 2019, the municipality had guarantees in lieu of customers of R 1 723 787 (2018: R1 216 407)

17. Deferred Income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

Deferred Income	<u>105 741</u>	<u>29 062</u>
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MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

18. Employee benefit obligations

Long Service Awards Obligation

The actuarial valuation of the long service award was performed by Chanan Weiss (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuarial Consulting.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Makhado Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 7.99% (2018: 8.45%), Consumer Price Inflation of 5.46% (2018: 6.09%), Normal Salary Increase of 6.5% (2018: 7%) and Net Effective Discount Rate of 2.4% (2018: 2.22%), Mortality SA 85-90 (2018: SA 85-90)

	2019	2018
Total long service awards liability		
Opening balance	14 054 735	13 820 520
Current service cost	1 141 506	1 080 068
Interest cost	1 118 162	1 088 198
Actuarial gains/loss	(125 858)	(344 763)
Subtotal	<u>16 188 545</u>	<u>15 644 023</u>
Expected employer benefit vesting	(1 698 867)	(1 589 288)
	<u>14 489 678</u>	<u>14 054 735</u>

Post retirement medical aid plan

The municipality operates an unfunded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Hosmed, LA Health and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members' post employment medical aid contributions up to an amount that is currently capped at R5,327 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 383 in service members, 196 in service non- members and 37 continuation(retiree and widow) members.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2019 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

	2019	2018
Total post-retirement health care benefits liability		
Opening balance	94 131 000	97 174 655
Current service cost	4 803 327	4 630 934
Interest cost	9 029 349	9 539 334
Actuarial gains/loss	(13 695 249)	(15 399 206)
Subtotal	<u>94 268 427</u>	<u>95 945 717</u>
Expected contributions (benefits paid)	(1 995 113)	(1 814 717)
	<u>92 273 314</u>	<u>94 131 000</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

18. Employee benefit obligations (continued)

Reconciliation and projection of the unfunded accrued liability

Carrying value

Opening Balance	(108 185 735)	(110 995 175)
Current Service Costs	(5 944 833)	(5 711 002)
Interest Costs	(10 147 511)	(10 627 532)
Expected employee benefit vesting	3 693 980	3 404 005
Actuarial gain/(loss)	13 821 107	15 743 969
	<u>(106 762 992)</u>	<u>(108 185 735)</u>
Non-current liabilities	(102 559 445)	(104 368 258)
Current liabilities	(4 203 547)	(3 817 477)
	<u>(106 762 992)</u>	<u>(108 185 735)</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,51 %	9,70 %
Expected rate of return on reimbursement rights	3,28 %	2,07 %
Expected increase in salaries	6,50 %	7,00 %
Expected increase in healthcare costs	6,96 %	7,48 %

The salaries used in the valuation include an assumed increase on 01 July 2019 of 6.5% as per the SALGBC Circular No: 01/2019. The next salary increase was assumed to take place on 01 July 2020.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

19. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Unwind Interest	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	9 145 116	474 634	-	9 619 750
New Landfill Site [Permit Number:12/9/11/L413/6]	3 416 416	-	296 887	3 713 303
	12 561 532	474 634	296 887	13 333 053

Reconciliation of provisions - 2018

	Opening Balance	Additions	Unwind Interest	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	8 392 776	752 340	-	9 145 116
New Landfill Site [Permit Number:12/9/11/L413/6]	-	3 240 459	175 957	3 416 416
	8 392 776	3 992 799	175 957	12 561 532

Environmental rehabilitation provision

Long-term obligations comprising pollution control, rehabilitation and site closure result from environmental disturbances associated with the municipality's operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

Critical accounting estimates and assumptions

The municipality's activities are subject to various laws and regulations governing the protection of the environment. The municipality recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of site estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and landfill site closure, are based on the municipality's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Rehabilitation costs have been calculated as the present value of future obligation, discounted at an interest rate of 5.43%. The municipality has two landfill sites where it is required to rehabilitate the land at the end of their useful lives. The other landfill site has reached its useful life on 30 June 2017. The rehabilitation process on this landfill site has started. The new landfill site has been in operation from 01 July 2017.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
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20. Service charges

Sale of electricity	333 647 130	285 881 370
Refuse removal	11 358 536	8 847 495
	345 005 666	294 728 865

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

21. Operational Revenue

Burial fees	99 771	114 243
Advertising	30 173	99 902
Employee benefit vesting	3 693 980	3 404 005
Land sales	3 002 251	2 622 747
Agency income - LIM345	-	3 294 834
Annual Show Revenue	-	413 763
Sundries	4 014 866	10 006 443
Actuarial income	13 821 107	15 743 969
Sale of tender documents	1 210 768	600 176
Building plans	145 818	184 414
	26 018 734	36 484 496

22. Property rates

Rates received

Residential	37 838 152	34 427 311
Commercial	22 833 956	17 291 300
State	12 673 134	8 474 722
	73 345 242	60 193 333

Valuations

Residential	6 087 847 516	4 893 229 807
Business	1 356 753 901	1 589 032 500
Agricultural	6 574 644 651	4 239 162 609
Municipal	118 673 157	175 400 000
Churches	56 255 400	102 758 000
Land reform beneficiaries	-	310 045 000
Government	164 860 365	-
	14 359 034 990	11 309 627 916

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owner's accounts.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
23. Government grants and subsidies		
Operating grants		
Equitable share	316 259 000	294 080 066
Municipal Demarcation Transition Grant	-	2 384 193
Municipal System Improvement Grant	1 055 000	-
Expanded Public Works Programmes (EPWP)	1 240 000	2 048 000
Finance Management Grant (FMG)	1 700 000	1 700 000
Local Government Sector for Education and Training Authority	829 290	1 423 249
	<u>321 083 290</u>	<u>301 635 508</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	87 732 000	116 372 767
Intergrated National Electrification Programme (INEP)	16 913 000	25 000 000
Local Economic Development	1 188 087	-
	<u>105 833 087</u>	<u>141 372 767</u>
	<u>426 916 377</u>	<u>443 008 275</u>
Capital and Operational Grants Received		
Included in above are the following grants and subsidies received:		
Capital grants received	106 906 215	133 569 000
Operational grants received	4 824 290	7 453 249
Equitable Share received	315 759 000	292 068 000
	<u>427 489 505</u>	<u>433 090 249</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
All registered indigents received a subsidy of R 1 809 488 (2018: R 2,441,497) which is funded from the grant during the year.		
Current-year receipts	315 759 000	292 068 000
Roll-over amounts declined-Deducted from Equitable Share	500 000	2 011 000
Conditions met - transferred to revenue	<u>(316 259 000)</u>	<u>(294 079 000)</u>
	<u>-</u>	<u>-</u>
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	10 203 767
Current-year receipts	87 732 000	106 169 000
Conditions met - transferred to revenue	<u>(87 732 000)</u>	<u>(116 372 767)</u>
	<u>-</u>	<u>-</u>
The conditions of the grant were fully met - (see note 15).		
MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects.		
Integrated National Electricity Programme (INEP)		
Current-year receipts	16 913 000	25 000 000
Conditions met - transferred to revenue	<u>(16 913 000)</u>	<u>(25 000 000)</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
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23. Government grants and subsidies (continued)

	-	-
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The conditions of the grant were fully met - (see note 15).

The purpose of this grant is to address electrification backlog of permanently occupied residential dwellings.

Expanded Public Works Grant (EPWP)

Current-year receipts	1 240 000	2 048 000
Conditions met - transferred to revenue	(1 240 000)	(2 048 000)
	<u>-</u>	<u>-</u>

The conditions of the grant were fully met - (see note 15).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) and spent on employing casual workers within community based projects.

Financial Management Grant (FMG)

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	<u>-</u>	<u>-</u>

The conditions of the grant were fully met - (see note 15).

FMG is used to promote and support reforms in the financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipal Demarcation Transitional Grant (MDTG)

Balance unspent at beginning of year	500 000	2 602 193
Current-year receipts	-	2 282 000
Conditions met - transferred to revenue	-	(2 384 193)
Amount Withheld	(500 000)	(2 000 000)
	<u>-</u>	<u>500 000</u>

The conditions of the grant were fully met - (see note 15).

The purpose of this grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that came into effect after 2016 local government election. The grant only subsidises the additional administrative posts related to mergers (such as merging and changing administrative systems and cost related to changing staff).

Local Economic Development Grant (LED)

Balance unspent at beginning of year	2 400 000	-
Current-year receipts	2 261 215	2 400 000
Conditions met - transferred to revenue	(1 188 087)	-
	<u>3 473 128</u>	<u>2 400 000</u>

The conditions of the grant were partially met - (see note 15).

The purpose of this grant is to encourage local economic development, by allowing local people to work together to achieve sustainable economic growth and development.

Local Government Sector for Education and Training Authority

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
23. Government grants and subsidies (continued)		
Current-year receipts	829 290	1 423 249
Conditions met - transferred to revenue	(829 290)	(1 423 249)
	<u>-</u>	<u>-</u>
The conditions of the grant were fully met- (see note 15).		
This grant is for in-service training.		
Municipal System Improvement Grant		
Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(1 055 000)	-
	<u>-</u>	<u>-</u>
Conditions of the grant were fully met - (see note 15).		
The grant is meant for system and policy related projects.		
24. Revenue		
Fines, penalties and forfeits	7 742 040	5 819 498
Government grants & subsidies	426 916 377	443 008 275
Interest earned - outstanding receivables	19 777 159	15 960 410
Interest received from financial institutions	6 060 972	9 338 780
Licences and permits	7 423 893	8 541 044
Other income	26 018 734	36 484 496
Property rates	73 345 242	60 193 333
Rental of facilities and equipment	834 870	769 125
Service charges	345 005 666	294 728 865
	<u>913 124 953</u>	<u>874 843 826</u>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	345 005 666	294 728 865
Rental of facilities and equipment	834 870	769 125
Interest earned- outstanding receivables	19 777 159	15 960 410
Licences and permits	7 423 893	8 541 044
Other income	26 018 734	36 484 496
Interest received from financial institutions	6 060 972	9 338 780
	<u>405 121 294</u>	<u>365 822 720</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	73 345 242	60 193 333
Transfer revenue		
Government grants & subsidies	426 916 377	443 008 275
Fines, Penalties and Forfeits	7 742 040	5 819 498
	<u>508 003 659</u>	<u>509 021 106</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Employee related costs		
Basic	149 830 015	142 278 146
Bonus	13 157 891	12 376 448
Medical aid - company contributions	15 077 784	15 393 300
UIF	1 012 831	1 058 861
Other payroll levies	59 279	59 645
Leave pay provision charge	5 839 227	4 046 977
Post employment benefits	30 731 001	29 324 875
Travel, motor car, accommodation, subsistence and other allowances	10 330 946	13 638 034
Overtime payments	17 167 096	18 515 077
Employee benefits - Current service costs	5 944 833	7 393 403
Acting allowances	1 917 079	1 964 500
Housing benefits and allowances	442 462	399 661
Standby allowance	2 083 901	2 007 308
Group life insurance	1 562 202	1 379 230
	255 156 547	249 835 465
Remuneration of Municipal Manager		
Annual Remuneration	971 257	538 491
Car Allowance	297 854	161 226
Contributions to UIF, Medical and Pension Funds	210 196	118 790
Other	17 579	9 941
	1 496 886	828 448
Appointed 01 December 2017 and the employment is still subsisting.		
Remuneration of Chief Finance Officer		
Annual Remuneration	489 453	472 316
Acting Allowance	57 150	48 958
Car Allowance	203 829	216 195
Contributions to UIF, Medical and Pension Funds	122 472	92 141
Other	-	5 805
	872 904	835 415
Appointed 01 November 2018 and the employment is still subsisting.		
Remuneration of Director Technical Services		
Annual Remuneration	-	692 000
Acting Allowance	118 297	8 104
Car Allowance	-	259 840
Contributions to UIF, Medical and Pension Funds	-	98 516
Other	-	13 840
	118 297	1 072 300
Appointed from 01 September 2015 until 31 May 2018. Currently position is on acting basis..		
Remuneration of Director Corporate Services		
Annual Remuneration	734 179	696 565
Car Allowance	303 865	285 700
Contributions to UIF, Medical and Pension Funds	171 218	164 745
Other	14 370	13 931

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Employee related costs (continued)	1 223 632	1 160 941

Appointed from 01 August 2014 and the employment is still subsisting.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Employee related costs (continued)		
Remuneration of Director Planning and Development		
Annual Remuneration	244 726	696 565
Acting Allowance	80 718	-
Car Allowance	125 697	373 562
Contributions to UIF, Medical and Pension Funds	37 454	90 814
	488 595	1 160 941
Appointed from 01 October 2014 until 31 October 2018. Currently position on acting basis.		
Remuneration of Director Community Services		
Annual Remuneration	672 998	696 565
Acting Allowance	70 326	-
Car Allowance	299 419	309 838
Contributions to UIF, Medical and Pension Funds	136 100	140 608
Other	13 146	13 931
	1 191 989	1 160 942
Appointed from 01 June 2014 until 31 May 2019. Currently position is on acting basis.		
26. Remuneration of councillors		
Mayor	868 133	842 441
Speaker	708 111	678 182
Councillors	24 739 920	23 786 233
	26 316 164	25 306 856
27. Depreciation and amortisation		
Property, plant and equipment	115 472 129	117 475 715
Investment properties	385 021	385 021
Intangible assets	547 685	433 340
Total depreciation and amortisation	116 404 835	118 294 076
28. Finance costs		
Interest cost: Annuity loans	-	118 665
Interest cost: Actuarial valuation	10 147 511	10 627 532
Interest cost: Trade and other payables	67 368	716 847
Interest cost: Finance leases	179 962	520 191
Interest cost: Landfill site	296 887	175 957
	10 691 728	12 159 192
29. Provision for doubtful debts		
Consumer debtors	41 505 909	44 768 378
Traffic Fines	2 342 900	2 871 735
Vhembe debtor	3 019 296	21 863 263
VBS Investments	-	62 734 049
	46 868 105	132 237 425

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
30. Bulk purchases		
Electricity	<u>235 312 620</u>	<u>212 654 238</u>
31. General expenses		
Cost of sales: Land	851 000	1 540 000
Advertising & publications	6 565 885	6 078 941
Bank charges	927 697	880 518
Consumables	29 820 861	49 258 481
Entertainment	-	161 813
Insurance	2 322 923	2 826 028
Bursaries	482 317	535 372
IT expenses	301 729	296 672
Levies	2 940 374	2 269 188
Debt collectors commission	1 903 042	2 422 004
Ward committees allowances	4 442 294	5 320 881
Postage and courier	54 104	27 728
Royalties and license fees	411 878	336 983
Workmens compensation	1 984 722	1 925 491
Subscriptions and membership fees	2 948 491	3 052 872
Telephone and fax	4 688 735	3 866 291
Travel - local	4 476 775	4 755 250
Uniform expenses	1 722 646	1 293 775
Indigent policy	1 809 488	2 441 497
Special programmes	792 580	2 238 637
Other expenses	474 634	1 740 444
	<u>69 922 175</u>	<u>93 268 866</u>
32. Investment revenue		
Interest revenue		
Interest received from investments	30 533	5 945 895
Interest received from primary account	6 030 439	3 392 885
	<u>6 060 972</u>	<u>9 338 780</u>
33. Interest earned- outstanding receivables		
Interest receivable from debtors	<u>19 777 159</u>	<u>15 960 410</u>
	<u>19 777 159</u>	<u>15 960 410</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
34. Cash generated from operations		
Deficit	(5 352 673)	(165 121 753)
Adjustments for:		
Depreciation and amortisation	116 404 835	118 294 076
Impairment of non-cash generating assets	15 195 412	6 176 444
Inventory write down	-	254 666
Gains/(losses) on transfer	-	941 665
Gains/(losses) on property, plant & equipment	14 859 251	-
Gains/(losses): Actuarial valuation	(13 821 107)	(15 743 969)
Expected employee benefit vesting	(3 693 980)	(3 404 005)
Interest on arrea accounts	(19 777 159)	(15 960 410)
Finance costs - Finance leases	179 962	520 191
Current Service Costs: Actuarial valuation	5 944 833	5 711 002
Interest Cost: Actuarial valuation	10 147 511	10 627 532
Interest Cost: Provision for rehabilitation	296 887	175 957
Interest Costs: Borrowings	-	118 664
Impairment of receivables	46 868 105	89 853 868
Increase/(decrease) in provision for employee costs	3 338 629	1 526 117
Increase/(decrease) in provision for landfill site	474 634	3 992 799
Other non-cash items	33 678 545	(18 142 684)
Changes in working capital:		
Inventories	(834 112)	(822 957)
Sundry Debtors	585 577	21 760 933
Receivables from non-exchange transactions	(3 461 750)	(1 814 065)
Consumer Debtors -Exchange transactions	241 442	232 747
Consumer Debtors -Non- Exchange transactions	(1 943 752)	(216 050)
Payables from exchange transactions	41 171 089	(646 481)
VAT	(2 755 558)	9 550 270
Unspent conditional grants and receipts	573 128	(9 918 026)
Consumer deposits	598 220	3 978 121
	238 917 969	41 924 652

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>77 889 764</u>	<u>39 261 934</u>
Total capital commitments		
Already contracted for but not provided for	<u>77 889 764</u>	<u>39 261 934</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational costs	<u>47 454 567</u>	<u>47 770 257</u>
Total operational commitments		
Already contracted for but not provided for	<u>47 454 567</u>	<u>47 770 257</u>
Total commitments		
Total commitments		
Authorised capital expenditure	77 889 764	39 261 934
Authorised operational expenditure	<u>47 454 567</u>	<u>47 770 257</u>
	<u>125 344 331</u>	<u>87 032 191</u>

The commitments relate to plant and equipment and other operational costs. These commitments will be financed by available retained surpluses, internally generated funds and government grants.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

36. Contingencies

Litigations are in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages. No provision for the below mentioned claims has been made as the municipality is confident in defending the claim.

Contingent Liabilities

Dique Jan Arnold: The plaintiff claims damages for wrongful detention by municipality's traffic officers together with SAPS officer. [Case Number: 557/12]	-	60 350
Synergy Income Fund t/a Hubyeni Shopping Centre: Claim for damages being costs to unblock the shopping centre sewerage line to be in proper order and cleaning of the shopping centre due to the sewerage spillage into the shops and municipal area. [Case Number: 24096/13]	-	279 515
SGL Engineers CC Consulting: Outstanding payment for consultancy rendered during the construction of Mutsha Road [Case Number: 721/12 MAG. LTT]	66 463	66 463
Mudavhula N.E: Unlawful arrest and defamation of character. [Case Number: 1435/10]	-	100 000
Ntsumi and Spectrum Service Level Agreements: Cancellation of contract due to non compliance of regulation 32 of the supply chain management regulations.	5 290 389	5 350 000
Getrusburg CPA: Claim for compensation for extracting water without the consent of the land owner [Case Number: 55339/2011]	27 984 000	27 984 000
Matshavha Thapelo Jeffrey: Claim for damages due to pothole on a provincial road in Levubu area. [Case Number: 226/17]	1 550 000	1 550 000
Department of Water Affairs and Sanitation: The Municipality extract water from the Middle Letaba Waterval Bulk Supply Main (Majosi) without the consent of the Department as the water authority [Case Number: 3940/16]	16 977 558	16 977 558
Antoinette Albertus Geerdts: Claim for unlawful arrest and defamation of character. [Case Number: 71357/12]	680 000	680 000
Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No: 67 of 2016. [Case Number: 2303/18]	1 493 856	1 493 856
Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No:61 of 2016. [Case Number: 2628/18]	4 825 418	4 825 418
Mleya Irene: Claim against Council, injury caused by pothole [Case number: 451/18]	215 000	215 000
Musa Mkhabele: Claim for damages[Case Number: 1082/18]	32 490	-
Tshihatu Tryphinah: Claim for damages[Case Number: 01/2019]	84 613	-
Tshikhuthula Radebe Peter: Deed of Sale of ERF 1420, Dzanani Township	-	-
Valdezia Xitasini Investigation	-	-
Tshikhuthula Radebe Peter	-	-
Automotive Exports (Pty) LTD t/a BP Auto Bridge	-	-
Contour Technology (PTY) LTD	-	-
Mphephu Royal Council: Land dispute[Case Number: 635/2016]	800 000	-
	59 999 787	59 582 160

Contingent assets

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below:

Lufuno Maluleke & Her Four Companies [Case Number: 591/16 :593/16:594/16: 595/16]	-	491 300
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MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments

The comparatives have been restated to account for prior period errors. Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial position

2018

	Note(s)	As previously reported	Correction of error	Reclassification	Restated
Current Assets					
Inventories	2	117 954 379	512 000	-	118 466 379
Sundry debtors	3	599 917	-	-	599 917
Receivables from non-exchange transactions	4	13 983 283	-	-	13 983 283
Consumer debtors- Exchange transactions	5	111 818 463	(69 940 851)	-	41 877 612
Consumer debtors- Non- Exchange transactions	5	19 261 574	(140 957)	-	19 120 617
Cash and cash equivalents	6	19 026 891	-	-	19 026 891
Non-current Assets					
Investment property	7	14 814 511	2 016 133	(33 921)	16 796 723
Property, plant & equipment	8	1 645 768 078	(5 161 459)	33 921	1 640 640 540
Intangible assets	9	1 302 656	214 437	-	1 517 093
Heritage assets	10	2 160 239	89	-	2 160 328
Current Liabilities					
Finance lease obligation	12	(3 046 172)	-	-	(3 046 172)
Payables from exchange transactions	13	(142 230 779)	7 810 235	-	(134 420 544)
VAT payable	14	(36 515 981)	5 353 244	-	(31 162 737)
Consumer deposits	16	(15 930 957)	-	-	(15 930 957)
Employee benefit obligation	18	(3 817 477)	-	-	(3 817 477)
Unspent conditional grants & receipts	15	(2 900 000)	-	-	(2 900 000)
Deferred income	17	(29 062)	-	-	(29 062)
Non-current liabilities					
Finance lease obligation	12	(696 532)	-	-	(696 532)
Employee benefit obligation	18	(104 368 258)	-	-	(104 368 258)
Provisions	19	(12 561 532)	-	-	(12 561 532)
Accumulated surplus		(1 624 593 241)	59 337 129	-	(1 565 256 112)
		-	-	-	-

Statement of financial performance

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

2018

	Note(s)	As previously reported	Correction of error	Reclassification	Restated
Revenue					
Service charges	20	284 716 522	-	10 012 343	294 728 865
Rental of facilities & equipment	24	7 400 236	(6 631 111)	-	769 125
Interest received- outstanding debtors	33	15 960 410	-	-	15 960 410
Licences & permits	24	8 541 044	-	-	8 541 044
Operational revenue	21	36 644 414	(159 918)	-	36 484 496
Interest received- investments	32	9 338 780	-	-	9 338 780
Property rates	22	60 193 333	-	-	60 193 333
Government grants & subsidies	23	443 008 275	-	-	443 008 275
Fines, penalties & forfeits	24	5 819 498	-	-	5 819 498
Expenditure					
Employee related costs	25	(249 835 465)	-	-	(249 835 465)
Remuneration of councillors	26	(25 306 856)	-	-	(25 306 856)
Depreciation & amortisation	27	(76 668 489)	(36 358 759)	-	(113 027 248)
Impairment of non-cash generating assets	48	(6 298 315)	-	-	(6 298 315)
Finance costs	28	(12 159 191)	-	-	(12 159 191)
Debt impairment	29	(133 905 056)	-	1 667 631	(132 237 425)
Bulk purchases	30	(159 446 808)	(43 195 087)	(10 012 343)	(212 654 238)
Contracted services	49	(227 060 453)	105 328	37 863 773	(189 091 352)
General expenses	31	(53 737 462)	-	(39 531 404)	(93 268 866)
Loss on transfer of functions		(941 665)	-	-	(941 665)
Surplus/(Loss) for the year		(73 737 248)	(86 239 547)	-	(159 976 795)

Errors

The following prior period errors adjustments occurred:

Error 1

Land stock not previously recognised.

Land stock which was not previously recognised in prior periods has been taken up as land inventory.

Financial Statement Area

Increase in land inventory(SFP)	512 000
Increase in accumulated surplus(SCE)	(512 000)
	-

Error 2

Bulk purchases erroneously included in consumer debtors.

Accounts receivable overstated due to inclusion of bulk purchase transactions.

Financial Statement Area

Increase in Bulk purchases(SCI)	43 195 087
Decrease in Consumer Debtors -Exchange transactions(SFP)	(43 195 087)
	-

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 3

Debtors with credit balances.

Customer accounts which had paid in advance in 2016/17 financial year were not subsequently reversed as accounts payable in the 2017/18 financial year.

Financial Statement Area

Decrease in Accounts payable(SFP)	7 689 108
Decrease in Consumer Debtors -Exchange transactions(SFP)	(7 689 108)
	<u>-</u>

Error 4

VAT on Land sales not charged.

Management omitted calculation of VAT on the sales transactions for land, resulting in the overstatement of the revenue from land sales during the 2017/18 financial year.

Financial Statement Area

Decrease in Land sales(SCI)	192 001
Increase in VAT output(SFP)	(192 001)
	<u>-</u>

Error 5

Accounts receivable:

During the 2017/18 financial year customer accounts per age analysis was not agreeing with the ledger accounts. The error was subsequently identified and corrected in the current year. The effect of the error is detailed below.

Financial Statement Area

Decrease in opening accumulated surplus(SCE)	11 454 963
Decrease in Consumer Debtors -Exchange transactions(SFP)	(11 314 006)
Decrease in Consumer Debtors -Non- Exchange transactions(SFP)	(140 957)
Decrease in Consumers VAT payable	5 561 045
Increase in opening accumulated surplus(SCE)	(5 561 045)
	<u>-</u>

Error 6

Retention.

In the prior financial year, retention for a certain projects was overstated. The error was subsequently discovered and corrected in the current reporting period.

Financial Statement Area

Decrease in Trade & other payables(SFP)	121 127
Decrease in Expenditure(Non-asset projects) (SCI)	(105 328)
Increase in VAT payable (SFP)	(15 799)
	<u>-</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 7

Revenue from rental of facilities.

During the 201718 financial period, revenue from rental of facilities was overstated due to amounts that were processed erroneously in the rental of facilities segment. These amounts were identified subsequent to 201718 financial year and corrected.

Financial Statement Area

Decrease in rental of facilities(SCI)	6 631 111
Decrease in accumulated surplus(SCE)	1 143 622
Increase in Land sales(SCI)	(32 083)
Decrease in Consumer Debtors -Exchange transactions(SFP)	(7 742 650)
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Error 8

Property, plant and equipment:

During the 201718 financial period, opening accumulated depreciation was erroneously calculated resulting in the misstatement of opening NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Decrease in accumulated surplus(SCE)	36 367 776
Increase in opening accumulated depreciation-Buildings(SFP)	(441 773)
Increase in opening accumulated depreciation- Community assets(SFP)	(492 765)
Increase in opening accumulated depreciation- Infrastructure assets(SFP)	(35 383 269)
Increase in opening accumulated depreciation- Investment property (SFP)	(49 969)
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Error 9

Property, plant and equipment:

During the 201718 financial period, current year depreciation was erroneously calculated resulting in the misstatement of closing NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Increase in depreciation expense - Buildings(SCI)	432 879
Increase in depreciation expense - Community assets(SCI)	492 765
Increase in depreciation expense - Infrastructure assets(SCI)	35 383 269
Increase in depreciation expense - Investment property (SCI)	49 846
Increase in accumulated depreciation - Buildings(SFP)	(432 879)
Increase in accumulated depreciation - Community assets(SFP)	(492 765)
Increase in accumulated depreciation - Infrastructure assets(SFP)	(35 383 269)
Increase in accumulated depreciation - Investment property (SFP)	(49 846)
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Error 10

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Decrease in Opening Accumulated Surplus(SCE)	3 454 120
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MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Decrease in Accumulated Depreciation- Roads(SFP)	1 236 318
Decrease in Accumulated Depreciation- Electricity(SFP)	476 739
Decrease in Depreciation- Roads(SCI)	(1 236 318)
Decrease in Depreciation- Electricity(SCI)	(476 739)
Decrease in Infrastructure-Roads-Cost(SFP)	(2 353 846)
Decrease in Infrastructure- Electricity-Cost(SFP)	(1 100 274)
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Error 11

During the asset management exercise, it was discovered that movable asset values in the previous year were understated in the financial records. The error was subsequently corrected in the current year.

Financial Statement Area

Increase in Computer Equipment-Cost(SFP)	4 191
Increase in Furniture & Office Equipment-Cost(SFP)	27 510
Increase in Machinery & Equipment-Cost(SFP)	657 974
Increase in Opening Accumulated Surplus(SCE)	(772 266)
Increase in Transport Assets-Cost(SFP)	82 591
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Error 12

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Decrease in Accumulated Depreciation- Roads(SFP)	1 799 522
Decrease in Accumulated Depreciation- Buildings(SFP)	11 209
Decrease in Opening Accumulated Surplus(SCE)	4 288 863
Decrease in Infrastructure-Roads-Cost(SFP)	(4 173 863)
Decrease in Infrastructure-Buildings-Cost(SFP)	(115 000)
Decrease in Depreciation-Roads(SCI)	(1 799 522)
Decrease in Depreciation- Buildings(SCI)	(11 209)
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Error 13

In the previous financial year, Mscoa System Upgrade was omitted. The error was identified and corrected during asset management exercise in the current financial year.

Financial Statement Area

Increase in Intangible Assets-Cost(SFP)	484 275
Increase in Opening Accumulated Surplus(SCE)	(484 275)
Increase in Depreciation- Intangible Assets(SCI)	173 088
Increase in Accumulated Depreciation- Intangible Assets(SFP)	(173 088)
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Error 14

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Decrease in Accumulated Impairment- Roads Infrastructure(SFP)	585 561
Decrease in Accumulated Impairment- Electricity Infrastructure(SFP)	2 386 228
Decrease in Impairment expense-Roads Infrastructure(SCI)	(585 561)
Decrease in Impairment expense-Electricity Infrastructure(SCI)	(2 386 228)
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Error 15

During the asset management exercise, management identified and corrected an error relating to certain buildings that were disposed of but that were still in the accounting records of the municipality. Comparative amounts have been restated accordingly.

Financial Statement Area

Decrease in Opening Accumulated Surplus(SCE)	383 670
Decrease in Buildings(SFP)	(383 670)
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Error 16

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Increase in Depreciation-Roads Infrastructure(SCI)	339 486
Increase in Depreciation-Electricity- Infrastructure(SCI)	85 584
Increase in Accumulated Depreciation-Roads Infrastructure(SFP)	(339 486)
Increase in Accumulated Depreciation-Electricity- Infrastructure(SFP)	(85 584)
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Error 17

During the 2017/18 financial period, opening accumulated depreciation was erroneously calculated resulting in the misstatement of opening NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Decrease in Accumulated Depreciation-Buildings(SFP)	7 538 029
Decrease in Accumulated Depreciation-Community Assets(SFP)	3 587 519
Decrease in Accumulated Depreciation-Infrastructure Assets(SFP)	28 742 284
Decrease in Accumulated Depreciation-Investment Property(SFP)	1 984 122
Decrease in Depreciation-Buildings(SFP)	(7 538 029)
Decrease in Depreciation-Community Assets(SFP)	(3 587 519)
Decrease in Depreciation-Infrastructure Assets(SFP)	(28 742 284)
Decrease in Depreciation-Investment Property(SFP)	(1 984 122)
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Error 18

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new asset register. The below adjustments were made to align the asset register with the system.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Increase in Depreciation- Machinery & Equipment(SCI)	243 110
Increase in Accumulated Depreciation- Machinery & Equipment(SFP)	(243 110)
Decrease in Accumulated Depreciation- Computer Equipment(SFP)	385 810
Decrease in Depreciation- Computer Equipment(SCI)	(385 810)
Decrease in Accumulated Depreciation- Furniture & Office Equipment(SFP)	96 407
Decrease in Depreciation- Furniture & Office Equipment(SCI)	(96 407)
Increase in Depreciation- Transport Assets(SCI)	13 764
Increase in Accumulated Depreciation- Transport Assets(SFP)	(13 764)
Decrease in Accumulated Depreciation- Library Books(SFP)	2 536
Decrease in Depreciation- Library Books(SCI)	(2 536)
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Error 19

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Depreciation-Electricity(SCI)	716
Increase in Depreciation-Buildings(SCI)	8 598
Increase in Depreciation-Community Assets(SCI)	897 727
Increase in Depreciation-Investment property(SCI)	35 023
Decrease in Accumulated depreciation-Roads(SFP)	13 635
Decrease in Depreciation-Roads(SCI)	(13 635)
Increase in Accumulated depreciation-Electricity(SFP)	(716)
Increase in Accumulated Depreciation-Buildings(SFP)	(8 598)
Increase in Accumulated Depreciation-Community Assets(SFP)	(892 691)
Increase in Accumulated Depreciation-Community Assets(SFP)	(5 036)
Increase in Accumulated Depreciation-Buildings(SFP)	(35 023)
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Error 20

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Furniture & Office Equipment(Cost)[SFP]	12 716
Increase in Machinery & Equipment(Cost)[SFP]	90 535
Decrease in Opening Accumulated Surplus(SCE)	103 252
Decrease in Computer Equipment(Cost)[SFP]	(9 242)
Decrease in Transport Assets(Cost)[SFP]	(94 010)
Increase in Opening Accumulated Surplus(SCE)	(103 251)
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Error 21

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Decrease in Accumulated Depreciation-Machinery & Equipment(SFP)	83 959
Increase in Depreciation-Computer Equipment(SCI)	4 549
Increase in Depreciation-Furniture & Equipment(SCI)	8
Increase in Depreciation-Transport Assets(SCI)	79 402
Increase in Accumulated Depreciation-Computer Equipment(SFP)	(4 549)
Increase in Accumulated Depreciation-Furniture & Equipment(SFP)	(8)
Increase in Accumulated Depreciation-Transport Assets(SFP)	(79 402)
Decrease in Depreciation-Machinery & Equipment(SCI)	(83 959)
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Error 22

Prior year property, plant and equipment balances had misstatements which needed to be corrected. The Asset Management exercise was performed to ensure that the asset register is accurate and complete. The below adjustments were made to reconcile the asset register and the ledger.

Financial Statement Area

Increase in Opening accumulated surplus(SCE)	(41 710 609)
Increase in Infrastructure assets-Cost (SFP)	40 667 144
Increase in Community assets-Cost (SFP)	1 043 465
Increase in Depreciation-Infrastructure assets (SCI)	49 343 863
Increase in Accumulated Depreciation- Infrastructure assets (SFP)	(49 343 863)
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Error 23

Prior year property, plant and equipment balances had misstatements which needed to be corrected. The Asset Management exercise was performed to ensure that the asset register is accurate and complete. The below adjustments were made to reconcile the asset register and the ledger.

Financial Statement Area

Increase in Accumulated depreciation- Buildings(SFP)	(2 849 919)
Increase in depreciation- Buildings(SCI)	2 849 919
Increase in Community assets-Cost (SFP)	1 003 174
Increase in Infrastructure assets-Cost (SFP)	39 097 022
Increase in Opening accumulated surplus(SCE)	(40 100 196)
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Reclassifications

The following reclassifications were made in terms of GRAP in the previous financial year:

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Increase in Bulk purchases(SCI)	10 012 343
Decrease in Municipal service costs(SCI)	(10 012 343)
Increase in Bad debts written off (SCI)	915 292
Decrease in Provision for bad debts (SCI)	(915 292)
Increase in Landfill site provision(SCI)	1 581 846
Decrease in Provision for bad debts (SCI)	(1 581 846)
Increase in Provision for bad debts (SCI)	829 506
Decrease in Landfill site provision(SCI)	(829 506)
Increase in General expenses[Consumables](SCI)	37 863 773
Decrease in Contracted Services(SCI)	(37 863 773)
Increase in Land Cost of sales(SCI)	50 000
Decrease in Consumables(SCI)	(50 000)
Increase in Community Assets-Cost(SFP)	230 130
Increase in Infrastructure Assets-Cost(SFP)	209 717
Decrease in Investment Property-Cost(SFP)	(33 921)
Decrease in Building Assets-Cost(SFP)	(405 926)
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Disclosures

The following Annual Financial Statements disclosures were incorrectly disclosed in the previous financial year and subsequently corrected in the current financial period:

Remuneration of Section 57 Managers:

- **Remuneration of Municipal Manager:** Car allowance of R161 226 was incorrectly disclosed as Backpay in the previous financial year. The error has since been corrected in the current year.
- **Remuneration of Chief Financial Officer:** Acting allowance of R48 958 was not disclosed in the previous financial year. The error has since been corrected in the current financial year.
- **Remuneration of Director Technical Services:** Acting allowance of R8 104 was not disclosed in the previous financial year. The error has since been corrected in the current financial year.

38. Risk management

General Objectives, Policies and Processes

The municipality's activities expose it to a variety of financial risks namely market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

Council has the overall responsibility for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The municipality's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

38. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient investment in cash to ensure that funding is available to settle liabilities as they become available.

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

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position.

There have been no changes in liquidity risk exposure by the municipality from previous year.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liability	(513 414)	-	(183 118)
Payables from exchange transactions	(173 919 866)	-	-
Consumer deposits	(16 529 177)	-	-
Employee benefit obligation	(4 203 547)	-	(102 559 445)
Deferred Income	(105 741)	-	-
Receivables from non-exchange transactions	17 445 033	-	-
Consumer Debtors-Exchange transactions	41 636 170	-	-
Consumer Debtors-Non-exchange transactions	21 326 491	-	-
Sundry Debtors	122 189	-	-
Cash and cash equivalents	91 835 178	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liability	(3 046 172)	-	(696 532)
Payables from exchange transactions	(134 420 544)	-	-
Consumer deposits	(15 930 957)	-	-
Employee benefit obligation	(3 817 477)	-	(104 368 258)
Deferred Income	(29 062)	-	-
Receivables from non-exchange transactions	13 983 283	-	-
Consumer Debtors-Exchange transactions	41 877 612	-	-
Consumer Debtors-Non-exchange transactions	19 120 617	-	-
Sundry Debtors	599 916	-	-
Cash and cash equivalents	19 026 891	-	-

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

38. Risk management (continued)

Credit risk

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

This risk arises due to changes in the financial circumstances of the counter party and other factors subsequent to the municipality obtaining the financial asset.

Sundry debtors, receivables from non-exchange transactions, consumer debtors and consumer deposits comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

There have been no material change in credit risk exposure by the municipality from the previous year.

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

Financial instrument	2019	2018
Sundry Debtors	122 189	599 916
Receivables from non-exchange transactions	17 445 033	13 983 283
Consumer debtors -exchange transactions	41 636 170	41 877 612
Consumer debtors -Non-exchange transactions	21 326 491	19 120 617
Cash and cash equivalents	91 835 178	19 026 891

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality charge the interest rate of 15% on the outstanding customer accounts.

For quantitative information on cash flow interest rate risk refer to liquidity risk above.

39. Fruitless and wasteful expenditure

Opening balance	4 989	2 158
Add: Fruitless and wasteful expenditure - current year	67 368	606 305
Less: Amounts written off by council	(67 368)	(603 474)
	<u>4 989</u>	<u>4 989</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act

Subscription fees

Subscriptions and membership fees	2 948 491	3 052 872
Amount paid - current year	(2 948 491)	(3 052 872)
	<u>-</u>	<u>-</u>

Distribution Losses

Kilowatts Hours

Units Purchased	236 709 846	236 275 148
Units Sold	(201 742 559)	(214 058 896)
	<u>34 967 287</u>	<u>22 216 252</u>

Rand Values

Electricity	<u>39 970 411</u>	<u>20 661 114</u>
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Distribution losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. During the year 34 967 287 (2018: 22 216 252) kilowatts per hour were lost. This represented 14.49% (2018: 9.40%) of the electricity purchases for the year, which has been included in bulk purchases. An average price per kilowatt hour of R1.143 (2018: R0,93) was used.

Audit fees

Current year fees	5 882 305	6 284 338
Amount paid - current year	(5 882 305)	(6 284 338)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year amount - Employer	1 100 374	1 058 861
Current year amount - Employees	39 575 679	40 407 273
Amount paid - current year	(40 676 053)	(41 466 134)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year amount - Employer	45 577 257	46 669 707
Current year amount - Employees	23 916 481	22 188 050
Amount paid - current year	(69 493 738)	(68 857 757)
	<u>-</u>	<u>-</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	313	4 351	4 664
Babadu T.M	958	-	958
Jones NB	72	1 294	1 366
Mahlaule TD	1 670	20 566	22 236
Matumba A	236	1 943	2 179
Matumba A	381	6 336	6 717
Matumba A	709	7 697	8 406
Simangwe NJ	1 178	2 069	3 247
	5 517	44 256	49 773

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	278	3 172	3 450
Jones NB	55	1 038	1 093
Matumba A	204	1 067	1 271
Matumba A	584	4 651	5 235
Matumba A	718	4 971	5 689
Simangwe NJ	735	3 745	4 480
	2 574	18 644	21 218

During the year the following councillors had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
Babadu T.M	4 351	90
Jones NB	1 294	90
Mahlaule TD	20 566	90
Matumba A	1 943	90
Matumba A	6 336	90
Matumba A	7 697	90
Simangwe NJ	2 069	90
	44 256	630

30 June 2018	Highest outstanding amount	Aging (in days)
Babadu T.M	3 172	90
Jones NB	1 038	90
Matumba A	1 067	90
Matumba A	4 651	90
Matumba A	4 971	90
Simangwe NJ	3 745	90
	18 644	540

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

41. Events after the reporting date

The following material matters or circumstances occurred subsequent to balance sheet date.

Litigation between Makhado Municipality Vs Maluleke Lufuno & Shumani Pathani.

- During the period 2012-2013 the municipality made payments amounting to R707 160 to Abnar Trading, Limel Trading, Rurhoo (PTY) LTD, Athikundwi Trading and Projects, owned by Lufuno Maluleke, and Shumani Pathani General Dealer, owned by Mr Netshifhefhe. Subsequent to financial year ended 30 June 2019 but before the authorisation of the financial statements for issue, the court ordered the defendants to pay the municipality an amount of R107 850 as full and final settlement payable in monthly instalment of R1,500.
- Thus the carrying amount of the accounts receivables have been adjusted in the financial statements for the year ended 30 June 2019.

42. Irregular expenditure

Opening balance	3 171 685	10 178 074
Add: Prior year irregular expenditure identified in the current year	-	2 353 625
Add: Irregular expenditure - current year	14 204 502	31 158 043
Less: Written-off by Council	(16 709 888)	(40 518 057)
	666 299	3 171 685

43. Unauthorised expenditure

Opening balance	199 230 626	34 901 850
Add: Unauthorised expenditure - current year	84 406 344	164 328 776
Less: Written-off by Council	(199 230 626)	-
	84 406 344	199 230 626

44. Deviation from supply chain management regulations

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

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

The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Quotation deviations for the 2018/2019 financial year in terms of the Supply Chain Management Regulations amounted to R 3 600 746.

Quarter	Amount
Quarter 1	735 095
Quarter 2	641 363
Quarter 3	1 210 207
Quarter 4	1 014 081
	3 600 746

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2019

Financial Statement Area	Approved Budget	Current year actuals	Variance	% variance	Explanations of material unfavourable variances above 10%
Property rates	66 885 000	73 345 242	6 460 242	9 %	
Service charges	339 414 000	345 005 666	5 591 666	2 %	
Government grants and subsidies	426 118 000	426 916 377	798 377	- %	
Rental of facilities and equipments	329 000	834 870	505 870	100 %	
Interest received-outstanding receivables	19 391 000	19 777 159	386 159	2 %	
Licences and permits	13 233 000	7 423 893	(5 809 107)	-43 %	Licencing income collected was less than budgeted amount due to several outlets opened for paying licences other than Makhado Municipality.
Operational revenue	80 803 000	26 018 734	(54 784 266)	(66)%	This is mainly ad hoc cash receipts for various items. The budgeted amount was not achieved.
Interest earned-external investment	51 000	6 060 972	6 009 972	100 %	
Fines, Penalties and Forfeits	1 757 000	7 742 040	5 985 040	100 %	
Total revenue	947 981 000	913 124 953	(34 856 047)		
Employee related costs	255 492 000	255 156 547	(335 453)	- %	
Remuneration of councillors	27 775 000	26 316 164	(1 458 836)	(5)%	
Depreciation	96 435 715	116 404 835	19 969 120	21 %	The budgeted amount was the best management estimate during the budgeting process. However, actual depreciation was over the budget.
Finance costs	13 154 000	10 691 728	(2 462 272)	(19)%	
Debt impairment	48 262 160	46 868 105	(1 394 055)	(3)%	
Bulk purchases	236 639 000	235 312 620	(1 326 380)	(1)%	
Contracted Services	88 945 124	138 186 937	49 241 813	55 %	The actual amount is more than budgeted amount due to RAL projects(Non-assets projects) which were expensed in the income statement despite being budgeted under Capex.
General expenses	72 540 000	69 922 175	(2 617 825)	(4)%	
Total expenditure	839 243 000	898 859 111	59 616 112	- %	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

46. Related parties

Makhado Local Municipality, is a category B municipality which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls. "Vhembe District Municipality".

Council does not have any associates nor any joint ventures or any other form of association that may be defined as related parties.

Relationships

Members of key management

Refer to note 25

Remuneration of councillors

Refer to note 26

47. Going concern

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

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

48. Impairment of non cash generating assets

Property, plant and equipment	15 130 772	6 176 444
Investment property	64 640	-
	15 195 412	6 176 444

49. Contracted services

Outsourced Services

Business and Advisory	8 825 274	18 853 647
Cleaning Services	978 000	870 440
Internal Auditors	6 226 605	736 581
Meter Management	1 840 980	2 322 764
Medical Services [Medical Health Services & Support	1 128 547	1 158 239
Security Services	16 020 113	15 728 555

Consultants and Professional Services

Business and Advisory	27 048 368	26 743 434
Infrastructure and Planning	-	5 110 265
Legal Cost	9 837 303	7 325 830

Contractors

Employee Wellness	4 374 627	3 191 082
Maintenance of Buildings and Facilities	385 209	1 832 313
Maintenance of Equipment	4 826 392	8 114 671
Maintenance of Unspecified Assets	56 695 519	97 103 531
	138 186 937	189 091 352

50. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation.

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Developed land	214 866 951	-	-	-	-	(1 260 000)	213 606 951	-	-	-	-	-	-	213 606 951
Undeveloped land	23 186 881	-	-	-	-	-	23 186 881	-	-	-	-	-	-	23 186 881
Dwellings	17 846 547	-	-	-	-	(17 010 021)	836 526	(4 074 818)	-	(575 548)	4 534 251	-	(116 115)	720 411
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	35 969 872	-	-	373 082	-	(276 749)	36 066 205	(12 826 257)	-	(1 278 898)	106 923	(1 312 124)	(15 310 356)	20 755 849
	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	-	(1 854 446)	4 641 174	(1 312 124)	(15 426 471)	258 270 092
Infrastructure														
Electricity	1 001 098 285	-	-	19 293 471	-	(11 089 527)	1 009 302 229	(508 738 124)	-	(45 830 902)	9 969 632	(1 727 554)	(546 326 948)	462 975 281
Roads	1 125 256 682	-	-	50 866 017	-	(100 867)	1 176 021 832	(388 923 873)	-	(55 906 890)	52 917	(16 527 631)	(461 305 477)	714 716 355
Solid waste disposal	25 016 312	-	-	-	-	-	25 016 312	(7 211 838)	-	(1 017 396)	-	-	(8 229 234)	16 787 078
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 151 371 279	-	-	70 159 488	-	(11 190 394)	2 210 340 373	(904 873 835)	-	(102 755 188)	10 022 549	(18 255 185)	1 015 861 659	1 194 478 714
Other														
Machinery and equipment	30 551 833	-	-	7 795 588	-	(3 361 301)	34 986 120	(21 675 762)	-	(2 444 588)	2 861 624	(601 894)	(21 860 620)	13 125 500
Furniture and office equipment	12 868 975	-	-	373 885	-	(396 260)	12 846 600	(7 322 197)	-	(900 721)	290 217	(397 298)	(8 329 999)	4 516 601
Computer equipment	5 748 310	-	-	1 038 552	-	(236 854)	6 550 008	(3 764 925)	-	(638 762)	215 616	(99 007)	(4 287 078)	2 262 930
Transport assets	47 928 233	-	-	11 238 725	-	(20 394 651)	38 772 307	(37 627 165)	-	(2 328 094)	3 733 124	(23 043)	(36 245 178)	1 771 020
Library books	2 422 039	-	-	289	-	-	2 422 328	(1 687 242)	-	(191 620)	-	(319)	(1 879 181)	543 147
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
99 519 390	-	-	20 447 039	-	(24 389 066)	95 577 363	(72 077 291)	-	(6 503 785)	7 100 581	(1 121 561)	(72 602 056)	22 219 198

**MAKHADO LOCAL MUNICIPALITY
Appendix B**

**Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Work In Progress														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and Buildings	966 524	-	-	2 419 407	(467 932)	-	2 917 999	-	-	-	-	-	-	2 917 999
Infrastructure	39 427 028	-	-	58 742 129	(69 936 086)	-	28 233 071	-	-	-	-	-	-	28 233 071
Community	-	-	-	10 537 754	(130 150)	-	10 407 604	-	-	-	-	-	-	10 407 604
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	40 393 552	-	-	71 699 290	(70 534 168)	-	41 558 674	-	-	-	-	-	-	41 558 674
Community assets														
Cemeteries	9 081 526	-	-	-	-	-	9 081 526	(3 254 133)	-	(379 791)	-	(4 094)	(3 638 018)	5 443 508
Cemeteries perimeter protection	3 110 424	-	-	-	-	-	3 110 424	(273 458)	-	(105 228)	-	(13 893)	(392 579)	2 717 845
Community center	48 254 197	-	-	-	-	-	48 254 197	(11 923 824)	-	(1 714 328)	-	(304 772)	(13 942 924)	34 311 273
Libraries	1 183 251	-	-	-	-	-	1 183 251	(630 930)	-	(39 412)	-	-	(670 342)	512 909
Sport and recreational facilities	15 215 082	-	-	-	-	-	15 215 082	(3 247 420)	-	(548 796)	-	(75 891)	(3 872 107)	11 342 975
Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	76 844 480	-	-	-	-	-	76 844 480	(19 329 765)	-	(2 787 555)	-	(398 650)	(22 515 970)	54 328 510

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	-	(1 854 446)	4 641 174	(1 312 124)	(15 426 471)	258 270 092
Infrastructure	2 151 371 279	-	-	70 159 488	-	(11 190 394)	2 210 340 373	(904 873 835)	-	(102 755 188)	10 022 549	(18 255 185)	1 015 861 659	1 194 478 714
Other	99 519 390	-	-	20 447 039	-	(24 389 066)	95 577 363	(72 077 291)	-	(6 503 785)	7 100 581	(1 121 561)	(72 602 056)	22 219 198
Work In Progress	40 393 552	-	-	71 699 290	(70 534 168)	-	41 558 674	-	-	-	-	-	-	41 558 674
Community assets	76 844 480	-	-	-	-	-	76 844 480	(19 329 765)	-	(2 787 555)	-	(398 650)	(22 515 970)	54 328 510
	2 659 998 952	-	-	162 678 899	(70 534 168)	(54 126 230)	2 698 017 453	1 013 181 966	-	(113 900 974)	21 764 304	(21 087 520)	1 126 406 156	1 570 855 188
Investment properties														
Developed land	4 297 250	-	-	-	-	-	4 297 250	-	-	-	-	-	-	4 297 250
Dwellings	6 372 121	-	-	-	-	-	6 372 121	(1 367 514)	-	(180 761)	-	(64 639)	(1 612 914)	4 759 207
Non residential structures	8 107 645	-	-	-	-	-	8 107 645	(612 780)	-	(204 260)	-	-	(817 040)	7 290 605
	18 777 016	-	-	-	-	-	18 777 016	(1 980 294)	-	(385 021)	-	(64 639)	(2 429 954)	16 347 062
Intangible assets														
Intangible Assets	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
Heritage assets														
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	-	(1 854 446)	4 641 174	(1 312 124)	(15 426 471)	258 270 092
Infrastructure	2 151 371 279	-	-	70 159 488	-	(11 190 394)	2 210 340 373	(904 873 835)	-	(102 755 188)	10 022 549	(18 255 185)	1 015 861 659	1 194 478 714
Other	99 519 390	-	-	20 447 039	-	(24 389 066)	95 577 363	(72 077 291)	-	(6 503 785)	7 100 581	(1 121 561)	(72 602 056)	22 219 198
Work In Progress	40 393 552	-	-	-	-	-	41 558 674	-	-	-	-	-	-	41 558 674
Community assets	76 844 480	-	-	71 699 290	(70 534 168)	-	76 844 480	(19 329 765)	-	(2 787 555)	-	(398 650)	(22 515 970)	54 328 510
Investment properties	18 777 016	-	-	-	-	-	18 777 016	(1 980 294)	-	(385 021)	-	(64 639)	(2 429 954)	16 347 062
Intangible assets	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 686 140 698	-	-	163 486 079	(70 534 168)	(54 126 230)	2 724 966 379	1 018 849 569	-	(114 833 680)	21 764 304	(21 152 159)	1 133 071 104	1 591 139 166

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Developed land	214 866 951	-	-	-	-	-	214 866 951	-	-	-	-	-	-	214 866 951
Undeveloped land	23 186 881	-	-	-	-	-	23 186 881	-	-	-	-	-	-	23 186 881
Dwellings	17 846 547	-	-	-	-	-	17 846 547	(8 887 803)	5 388 533	(575 548)	-	-	(4 074 818)	13 771 729
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	34 739 855	(498 670)	-	1 849 756	-	(121 069)	35 969 872	(13 835 069)	2 213 188	(1 278 280)	73 904	-	(11 731 602)	23 143 614
	290 640 234	(498 670)	-	1 849 756	-	(121 069)	291 870 251	(22 722 872)	7 601 721	(1 853 828)	73 904	-	(15 806 420)	274 969 175
Infrastructure														
Electricity	994 275 156	(1 100 273)	-	7 923 403	-	-	1 001 098 286	(440 654 324)	(22 320 457)	(45 763 343)	-	(1 121 987)	(509 835 141)	491 263 145
Roads	1 104 087 261	(6 527 709)	-	27 697 130	-	-	1 125 256 682	(383 952 017)	50 933 784	(55 905 641)	-	(4 801 878)	(386 762 078)	738 494 604
Solid waste disposal	10 535 120	-	-	14 481 191	-	-	25 016 311	(9 651 926)	3 456 393	(1 016 305)	-	-	(7 211 838)	17 804 473
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 108 897 537	(7 627 982)	-	50 101 724	-	-	2 151 371 279	(834 258 267)	32 069 720	(102 685 289)	-	-	(903 809 057)	1 247 562 222
Other														
Machinery and equipment	31 314 710	657 974	-	408 187	-	(1 829 037)	30 551 834	(20 475 707)	(243 109)	(2 727 270)	1 770 323	(136 436)	(20 978 869)	9 572 965
Furniture and office equipment	12 087 737	27 509	-	1 719 283	-	(965 555)	12 868 974	(7 120 795)	96 407	(1 256 212)	958 403	(98 899)	(6 956 227)	5 912 747
Computer equipment	8 197 662	4 191	-	291 347	-	(2 744 890)	5 748 310	(6 152 571)	385 810	(742 159)	2 743 994	(12 070)	(3 589 693)	2 158 617
Transport assets	47 015 370	82 591	-	1 259 744	-	(429 472)	47 928 233	(32 658 804)	(13 763)	(5 384 068)	429 472	(677)	(37 305 978)	10 622 255
Library books	2 320 584	-	-	-	-	(8 280)	2 312 304	(1 511 133)	2 535	(186 490)	7 845	(300)	(1 687 543)	624 761
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	100 936 063	772 265	-	3 678 561	-	(5 977 234)	99 409 655	(67 919 010)	227 880	(10 296 199)	5 910 037	(248 382)	(70 518 310)	28 891 345

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Infrastructure	2 108 897 537	(7 627 982)	-	50 101 724	-	-	2 151 371 279	(834 258 267)	32 069 720	(102 685 289)	-	-	(903 809 057)	-
Other	100 936 063	772 265	-	3 678 561	-	(5 977 234)	99 409 655	-	227 880	-	5 910 037	(248 382)	-	-
Work In Progress	47 675 616	-	-	51 826 436	(59 108 500)	-	40 393 552	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	65 329 389	-	-	11 515 091	-	-	76 844 480	(19 967 121)	3 277 750	(2 640 390)	-	(4 195)	(18 533 486)	57 510 520
Investment properties	18 777 016	-	-	-	-	-	18 777 016	(3 575 688)	1 980 415	(385 021)	-	-	(1 980 294)	16 796 722
Intangible assets	4 117 243	484 275	-	602 884	-	-	5 204 402	(3 080 880)	(173 087)	(433 340)	-	-	(3 687 307)	1 517 095
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 638 533 426	(6 870 112)	-	119 574 452	(59 108 500)	(6 098 303)	2 686 030 963	(883 604 828)	44 984 399	(107 997 868)	5 983 941	(252 577)	(943 816 564)	352 953 840